ANNUAL REPORT

OF THE

Indian Merchants' Chamber

FOR THE YEAR

1943

Presented to the Annual General Meeting of the Chamber held on 31st January 1944

Published by

J. K. MEHTA, M.A.

SECRETARY, INDIAN MERCHANTS' CHAMBER,

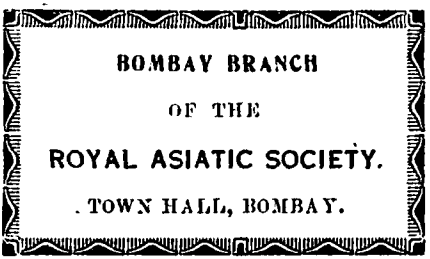
LALJI NARANJI MEMORIAL

INDIAN MERCHANTS' CHAMBER BUILDING,

BACK BAY RECLAMATION, FORT, BOMBAY

1944

Price Rs. 5



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ROYAL ASIA

With the Compliments

of

The Secretary

133761

CONTENTS

		PAGES
1.	Proceedings of the 36th Annual General Meeting	i–xxv
2.	Chamber's Chairmen for previous years ...	xxv–xxvi
3.	Chamber's Representatives on Public Bodies—1943	xxvi–xxix
4.	Office-Bearers for the year 1944	xxix–xxxi
5.	Journals and Periodicals received in the Library of the Chamber	xxxi-xxxiii
6.	Report of the Committee of the Chamber for 1943	1–112
7.	Accounts for 1943	opp. 112
8.	Appendices	113–554
9.	Index	i–ix

12/6/33

THIRTY-SIXTH ANNUAL GENERAL MEETING

The 36th Annual General Meeting of the Members of the Indian Merchants' Chamber was held on Wednesday the 26th January 1944 at 4-0 p.m. (S.T.) when the following members were present :—

Mr. Haridas Madhavdas (President)

,, Pranlal Devkaran Nanjee (Vice-President)

Mr. M. A. Master
,, Mangaldas B. Mehta
,, Dhirajlal C. Modi
,, Sarabhai Prataprai
,, R. N. Bapasola
Mrs. R. N. Bapasola
Mr. M. P. Gandhi
,, N. S. Guzdar
,, C. S. Patel
,, Arvinchandra A. Trivedi
,, Purshotamdas Popatlal
,, R. C. Desai (Surat)
,, H. A. Shah
,, Hiralal G. Shah
,, K. C. Desai
,, Jayantilal Maneklal
Bombay Diamond Merchants' Association
Mr. Lalitchandra C. D. Nanjee
,, Gordhandas G. Morarji
,, Rahim Jasoob
,, S. K. Desai
,, A. T. Kajiji
,, Sagarmal Mody
,, Gajendra Buch
,, Natwarlal C. Dalal
,, Bithaldas Binnani
Mr. J. C. Setalvad
,, Manu Subedar
,, Dawood Hajee Nasser
,, Ratilal M. Nanavati
,, V. H. Bhagat
,, C. M. Desai
Seth Chatrabhuj Gordhandas
Mr. Vithaldas D. Govindji
,, Purshotamdas H. Shah
,, N. H. Pujara
,, D. D. Shethia
,, Mohanlal A. Parikh
,, M. C. Matani
,, M. M. Amersey
,, Kantilal Madhavdas
,, Ratilal C. Kothari
,, B. S. Lalkaka
Major S. A. Paymaster
Mr. Harisukh Harilal
,, Dwarkadas Mulji
,, B. K. Loomba
,, Haridas Motilal
,, Framroze P. Kapadia
,, C. H. Diwanji
,, N. J. Desai
,, N. G. Shah
,, N. L. Kara

Mr. J. K. Mehta (Secretary)

1. The Secretary read the notice convening the meeting.

2. Mr. Mathuradas Canji Matani moved that the meeting be adjourned without transacting any business.

The same was seconded by Mr. Vithaldas D. Govindji.

The proposition was put to the vote and carried unanimously.

3. It was decided that the meeting should stand adjourned to 1-0 p.m. (S.T.) on Monday, the 31st January, 1944.

Adjourned Annual General Meeting:

The adjourned Annual General Meeting was held on Monday, the 31st January 1944, at 1-0 p.m. (S.T.), at the office of the Chamber, when the following members were present :—

Mr. Haridas Madhavdas (Retiring President)
,, Pranlal Devkaran Nanjee (Incoming President)
,, M. A. Master (Incoming Vice-President)

Mr. J. C. Setalvad
,, Sarabhai Prataprai
,, Ratilal M. Gandhi
,, R. N. Bapasola
Mrs. R. N. Bapasola
Mr. C. B. Diwanji
,, M. P. Gandhi
,, Bhupatrai K. Doshi
,, Behram N. Karanjia
,, B. M. Bhargava
,, Shamji Vallabhji
,, Keshavprasad C. Desai
,, T. N. Merchant
,, B. D. Binnany
,, A. B. Nagda
,, D. M. Dahanukar
,, N. J. Gor
,, Ratilal C. Kothari
,, Ishwarlal D. Mehta
,, Dewjee Tokersee
,, M. C. Matani
,, S. K. Desai
,, M. V. Nayak
,, N. C. Dalal
,, Himatlal V. Gandhi
,, G. Bhatia
,, Vallabhdas Ranchoddas
,, Manu Subedar
,, J. A. Shah
,, Himatlal T. Muni
,, N. Bhattacharya
,, N. G. Shah
,, Dawood Hajee Nasser
,, Govindji Shamji
Mr. R. M. Nanavati
,, Gordhandas G. Morarji
,, Dhirajlal C. Modi
,, Chandulal Sarabhai Modi
,, B. S. Dabke
,, Purshotamdas Popatlal
,, V. H. Bhagat
,, A. H. Kaji
,, Madhavlal M. Bhatt
,, Khimji M. Bhujpuria
,, K. G. Asher
,, Mohanlal A. Parikh
,, D. D. Shethia
,, M. A. J. Noble
,, Framroze P. Kapadia
,, N. C. Javeri
,, B. P. Sethna
Sir Chunilal B. Mehta
Mr. Manilal Dhanji
,, Arvindchandra A. Trivedi
,, Rahim Joosab
,, B. S. Lalkaka
,, Khatau Vallabhdas
,, P. P. Adalja
,, Dwarkadas Mulji
,, Ratanji Jaichand
,, J. D. Saurashtri
,, Fulchand Shamji
,, Venkatrao Sista
,, Madhavlal B. Parikh
,, A. G. Shah
,, Shambhulal A. Shah
,, Haridas Motilal
,, Premchand C. Bhayani

Mr. N. P. Motiwala	Mr. P. M. Chinai
,, Girdhardas P. Merchant	,, Manilal M. Patel
,, C. M. Desai	,, C. T. Shanghavi
,, V. S. Dabholkar	,, Ishwarlal Nagardas Shah
,, D. V. Deshpande	,, C. H. Patel
,, Vijaysinh Govindji	,, Vithaldas D. Govindji

J. K. Mehta (Secretary)

Mr. Haridas Madhavdas, in placing before the meeting the Report of the work done by the Committee during the year and the audited Statement of Accounts for the year 1943, made the following speech :—

GENTLEMEN,

The Report of the work done by your Committee during the last year, and the audited Accounts of the Chamber, are in your hands. I propose the adoption of the Report and the Accounts.

Before I deal with the principal questions of the year, which have been considered by your Committee, I should like to congratulate my friend, Seth Pranlal Devkaran Nanjee on his election as President of the Chamber for the new year. Seth Pranlal has been on the Committee of the Chamber for some years, and was our Vice-President last year; his colleagues on the Committee have had occasions to observe his wide acquaintance with Indian commercial and industrial problems, and his business-like methods of working. I also congratulate the Chamber on having elected Mr. M. A. Master, General Manager of the Scindia Steam Navigation Co., Ltd., as Vice-President for the new year. Mr. Master has been a member of the Committee of the Chamber for the last 17 years, and has also acted as our representative on the Port Trust, Governing Body of I.M.M.T.S. "Dufferin", Indian Sailors' Home Committee, etc. Mr. Master is not only known throughout the country as the General Manager of the Scindia Steam Navigation Co., but also for his wide and deep knowledge of Indian political and economic questions, and several of the knotty financial problems. In electing him as its Vice-President, the Chamber has shown its appreciation of these services.

FOOD SITUATION

I dealt with the question of food scarcity in Bengal, in my speech at the last Quarterly Meeting. The situation, since then, has improved to a considerable extent; but I am sorry that the famine and the various diseases concomitant thereto are still taking a terrible toll of human life even now, the total

of which has been estimated at about two millions dead. No other country, whether belligerent or neutral, whether an axis power or an allied power, has had to make this devastating sacrifice. I referred, in my last speech, to the visit which His Excellency the Viceroy paid to Bengal immediately after his assumption of the reins of his office. He followed this up with an announcement that the agency and resources of the army would be utilized for fighting the food famine in Bengal. His Excellency the Viceroy thus began his regime with an activity and sympathetic impetus, which were not to be seen during the previous regime. He has also succeeded in getting food from the surplus provinces like the Punjab and Sind and been able to persuade them to accept the arrangements and policies laid down by the Central Government with regard to prices, supplies, distribution, etc. The hush-hush policy followed with regard to Bengal became discredited, and a flood of light was thrown on the situation not only here but even in England. A number of members of the Parliament spoke feelingly and cogently at the debate which was held, when Mr. Pethwick Lawrence, former Socialist Minister, observed that :—

> " There is a sense in which we are members for India, and we have all that duty to perform, so that in the last resort that we here, in this House, who are responsible for what occurs. If there has been lack of imagination in the handling of this problem, lack of initiative, and failure to take full cognizance of facts and bring the best remedy to bear, we in this House are ultimately responsible and we cannot shirk that responsibility."

It has been shown by a series of interpellations in the House of Commons and in the Central Legislative Assembly, how the replies given by the Secretary of State for India have been misleading and, even sometimes, untruthful. I should like to use even a stronger word: but I consider that " hard words do not break stones ". It is generally supposed that the Secretary of State derives his information from the Government of India, and, as was well asked in the Central Assembly, we are left wondering as to which particular department was responsible for the series of misleading statements for which Mr. Amery made himself conspicuous. One of his most egregious statements was with regard to supplies of quinine in this country. He was answering a question as to why a cargo of whisky had been sent to Bombay, when it was not possible to send badly needed supplies of quinine. He replied that the ban which had previously been made on shipments of spirits to India was lifted in September and that this had certainly not been at the expense of quinine. Quinine, he said,

was produced in India, and supplies there were adequate! It is, indeed, surprising that such a reply should have been given at a time when all over the country malaria has been raging and the public press of all shades of opinion, and even Government officials, have been unanimously admitting that supplies of quinine are extremely meagre,—in fact, as *The Times of India* said,—only a tiny fraction of her needs! Someone has recently said: "Who lives, if Bengal dies?" Without entering upon the invidious task of making comparisons, I should also like to emphasize that the catastrophe in Bengal has proved an acid test of the present administration and if, for no other reason, at least for this catastrophe, the British Government and the Government of India should put all their declarations with regard to independence for this country into practice, as soon as possible, even while the war is going on.

Coming nearer home, while our rationing scheme is going on fairly well, there are danger signals with regard to supplies of charcoal, kerosene, etc. Ahmedabad, Surat and other cities have already got their rationing schemes introduced, or are going shortly to have them introduced; but they are suffering from a great scarcity of charcoal and kerosene, and also, I am told, *bajri*. In one of my speeches, I referred to the prohibitory orders issued by different Collectors, with regard to movements of commodities to and from their districts. While I admit that there may be some cogent reasons for such orders, I should like to give the example of the scarcity of charcoal in Ahmedabad, for instance, as also of *bajri*, to show how such orders sometimes provoke the public into hoarding, instead of preventing the hoarding, and inflict needless inconvenience and hardship to the citizen and his wife.

Political Situation

The political situation has continued to remain as a deadlock. Many of us were hoping that His Excellency Lord Wavell would take early steps to remove the deadlock, just as he did with regard to difficulties regarding the food shortage in Bengal. Unfortunately, upto now no steps have been taken by him with regard to solving the sphynx-like political puzzle of the country. He may be busy, perhaps, with the food question and with the war problems of the eastern frontiers; but, surely, the solution of India's political problem cannot wait any longer. It is much more important, in my opinion, than any other problems, as, upon its right solution depends the solution of several cognate problems like food, effective prosecution of the war, communal tangle, etc. The occasion which was generally expected to be utilized for His Excellency's pronouncement regarding the political tangle was the annual con-

ference of the British Chambers of Commerce held in Calcutta every December. He observed at that meeting:

> " I have said nothing of the constitutioanl or political problems of India, not because they are not constantly in my mind, not because I have not the fullest sympathy with the aspirations of India towards self-government, not because I consider political progress impossible during the course of the war; but because I do not believe that I can make the solution any easier by talking about them just at present."

He exploded the bubble of Mr. Brendon Bracken that the Indian problem was put in a cold storage for the duration of the war; but unless this is followed up by a definite announcement of his policy regarding the release of all political leaders, there will not be any great difference between what Mr. Brendon Bracken said and His Excellency's own statements. He said that he would welcome co-operation from any one and anybody who could assist him in those great problems on which the future of India depended. We are thankful to His Excellency for inviting co-operation; but, as it has been my unenviable task of pointing out at all the General Meetings of the Chamber, co-operation is not possible, with all the best desire in the world on the part of the leaders, as long as they are behind prison bars.

May I draw, respectfully, His Excellency's attention to the following from Sir William Blackstone, the great writer on English law :—

> " Confinement of the person by secretly hurrying him to gaol, where his sufferings are unknown and forgotten, is a less public and less striking, and, therefore, a more dangerous form of arbitrary government."

The famous commentaries of Sir William Blackstone made clear that British justice was founded upon three basic principles and enactments—Habeas Corpus, Magna Carta, and the Bill of Rights. We hope that it will be His Excellency's prime care and anxiety to restore these basic principles and enactments of English law in this country.

The Indian commercial community, through the different Indian Chambers of Commerce, has made it plain, and in no uncertain terms, that the continued incarceration of the revered leaders of India helps to keep up a canker in the Indian minds, which bodes no good for the country at large. The Indian commercial community believes,—and rightly believes, I think—that these eminent and revered leaders have helped the creation of modern India. I am surprised that Government have been thinking of fighting big wars

in the East, keeping the South of India behind prison bars! There has not been a single instance of such happenings with regard to any of the United Nations. How can we conceive that a country like India, with her teeming population, can fight without the leadership of people like Mahatma Gandhi, Pandit Jawaharlal Nehru and others. I am putting these facts before His Excellency the Viceroy as, I think, he would like to know what commercial India really thinks of the present position. We do not want to mislead him, and as the head of the administration and as one who is expected to bring about and achieve great things for this country, the truth should be conveyed to him that, for the successful prosecution of the war and for the building up the post-war India, there should be India's trusted leaders at the helm of her affairs. A capable administrator like Viscount Wavell and a man with immense powers as the Viceroy he possesses, need not be told how this has to be brought about. He can bring about the rapprochement and end the deadlock, if he wishes to do so, in the interests, may I say, not only of this country, not only of the United Nations, but also of the whole of humanity. I cannot do better than reproduce here a few sentences from the recent stirring and inspiring address of the Rt. Hon. Mr. Srinivasa Sastri, one of our biggest and greatest men :

> " The first step is to call out our principal men, who have lost their freedom. They have to come out. Who, I ask frankly and candidly, can ask the world to listen to a word about peace, about harmony amongst the peoples and the cessation of the plague of war and all that it means, if it be not the man who languishes there in the Aga Khan Palace in Poona, the man who has given his whole life to that work, whose very name is synonymous with non-violence, peace and God's work of reconcilement? Is he to remain within jail, while all other people meet together and make the peace of the world? "

India's Place in the World

The barometer of India, so far as the international sphere is concerned, has still remained what it was; and Teheran or no Teheran, Cairo or no Cairo, India has to accept the place, as Pandit Kunzru recently put it, of being merely a foot-stool of the British Empire. The appointment of Mr. Casey as Governor of Bengal, is an insult to this country. Our opposition to his appointment is not on the score of his qualifications. He may be a good administrator, a good Parliamentarian and a leading citizen of the Australian Commonwealth. Our opposition, however, rests on grounds of principles. Only recently the Central Assembly passed the Reciprocity Act.

Australia has not recognized the right of Indians for Australian citizenship. And yet, India is expected to approve the appointment of an Australian gentleman as Governor of its leading Province! With Mr. Churchill, the rule appears to have been that Indians should be asked to accept everything to which they are opposed.

His Excellency the Viceroy visualizes a time, after the war, when there will be a deliberate effort to restart the national life on a better and more efficient footing to provide an improved standard of living for all Indians. 'A bird in the hand is worth two in the bush.' What is the use of visualizing all sorts of good things after the war, if, for the present and for some time to come, India is not to have any share whatsoever in her own Government and administration and she should be asked to go on with the *status quo*? While I am all at one with him with regard to his saying that the Government and the industries must work very closely hand-in-hand, I must also point out, with all due deference to His Excellency, that Indian industries and commerce have long since come to recognize that, unless the country has got political powers, there cannot be either industrial or commercial development. His Excellency invited some of the leading Indian industrialists to the United Kingdom in order to see the developments that have taken place during the war and to discuss India's problems with leading British representatives. Here again I consider it my duty to point out that these mutual visits will do no good till the atmosphere of suspicion and distrust is cleared. Industrial and commercial Bevin boys cannot be created *ad hoc* and there will be always a danger of unfair and ill-advised pacts. We believe in co-operation with regard to trade and industries with Great Britain, and have always said so. The co-operation, however, must be based on the equality of our status with that of the British. His Excellency has been wrongly advised with regard to the line he has taken. We welcome the action he had taken with regard to Bengal famine, and will welcome any action like that with regard to the solution of the Indian puzzle, provided he brings to bear on it his masterly ability, his sympathy with the Indian cause and his desire to see the war progress and India's status established on a rock foundation.

India's Contribution to International Bodies

There are several International Conferences held at present to consider problems arising out of the prosecution of the war, and we may well expect that there will be more and more such Conferences, as the war is nearing its end and post-war reconstruction policies begin to loom into view. Your Committee

have drawn the attention of Government in the past to the necessity of sending out non-official representatives to these Conferences—representatives who will specially be able to speak on behalf of unofficial trade, commerce and industries. Unfortunately, upto now Government have rested satisfied with sending out official delegations; and even in such an important matter as placing India's viewpoint before England and the U.S.A., they chose to send a delegation of four people, whom no less a body than the Central Legislative Assembly has disowned. While India is thus dragged in International Conferences, she is also expected to contribute her financial quota for which her financial and economic conditions are not at all suitable. We recently heard that India was to pay a very big contribution to the U.N.R.R.A., though this particular body had not done anything towards the alleviation of the sufferings of the country arising from food shortage and though, so far as we could see, such a big country like the U.S.A. had not shown any particularly zealous anxiety to come to the help of India at a time of her dire distress. We learn now from an official correspondent that, as the result of correspondence by cable between the Government of India and the Council of the U.N.R.R.A., an official statement will be made shortly declaring that India's contribution to the U.N.R.R.A. has not been assessed on the basis of one per cent of her national income, and that India is free to suggest her contribution after calculating the *per capita* income and the expenditure incurred on the relief of the victims of the famine. No official announcement has, however, yet been made. The United Nations, during this war, have procured and carried goods and supplies worth several hundreds of crores, as would be testified by the amount of sterling balances held by the Reserve Bank in England, and because of this procurement of supplies people here are dying on account of privations. The United Nations, however, could not bring in adequate food to the succour of famishing India on the plea of want of shipping! They have not shown any particular anxiety to accord to India the rightful place, which should be hers, in the comity of nations—the place, I mean, of a self-governing independent country. Is it not then the height of unfairness, and is it not then taking advantage of her subordinate and subsidiary position in the British Empire, that she should be asked to contribute big amounts to a body like the U.N.R.R.A.? We are given a sop to the effect that the Government of India propose to place before the Central Legislature, soon after the budget session opens next month, a resolution inviting endorsement of the U.N.R.R.A. agreement. We have, however, got a sufficiently long experience—and I may add, bitter experience—as to how and in what manner these decisions of the Central

Assembly are side-tracked and rejected by the Government of India. Even the semi-official *Times of India* Correspondent at New Delhi was obliged to write that there was a feeling in political quarters here that the matter had been mishandled psychologically by the Council of the U.N.R.R.A., and that, even though the constitution of the U.N.R.R.A. barred the extension of relief to India, an early expression of sympathy for the victims of the famine would have gone a long way towards creating a favourable opinion about the humanitarian work of the U.N.R.R.A. If it requires so much dissertation to prove that the work of the U.N.R.R.A. is humanitarian, I think the less we have the so-called humanitarian sympathy of the U.N.R.R.A. shown towards us the better. India has not at least lost that much of self-respect that she should go with a beggar's bowl to the so-called International bodies. We paid through the nose towards the expenditure of the League of Nations and the International Labour Conference, because of the belief that some day or other the big nations would recognize India's claims to have a real independent status of her own. All those hopes, however, went overboard, like the hopes of Abyssinia. We may, therefore, take now a lesson from the past, and refuse to take any part in these International gatherings, till India is allowed to enjoy an independent status of her own. We have now learnt that a country, which does not enjoy an independent status of her own, will always be treated as merely a foot-stool, whether in the Empire or whether in the comity of nations.

Incidence of War-Time Taxation

There has lately been a studied and insistent attempt in a section of the British press to minimize the burden placed on India in the financing of the war efforts of the country. There is repeated reference to the emergence of India as a creditor country in the International sphere implying thereby that India has been enabled by a spell of war-time prosperity to liquidate her long-standing debts and to build up financial reserves with which to plan for the future. In this process of reasoning the accumulation of large sterling resources has come in as a handy argument and insinuations are freely made that these balances are the direct outcome of His Majesty's Government having borne a good part of the war-time expenditure which should otherwise have been legitimately debited to India. Our friend Mr. Amery, who has by now established an unenviable reputation for indulging in spectacular and sometimes fantastic statements about the war-time economic prosperity of India, has also not been slow in making his contribution to these propagandistic efforts. Even in the midst of the food crisis he indulged in stories of Indian peasants rolling in wealth

and of prosperity caused particularly by war-time conditions and tried to minimize the gravity of the internal situation by suggesting that the whole problem was precipitated by lack of administrative efficiency in securing an equitable distribution of the available resources. Indeed, the continuous accumulation of sterling balances brought about by this country being made the instrument of financing the war efforts of Great Britain has particularly in the international sphere helped to cloak the suffering and distress entailed by large sections of the population in the different parts of the country. Critical students of the basic features of India's war economy and the methods adopted in the financing of India's war effort have not been slow to make very trenchant observations regarding the privations and distress caused by the said methods and policies. It is indeed amusing, were it not tragic, that when a large number of people in different parts of the country such as Bengal, Assam, Bihar, Orissa and in various areas in the south, are passing through an acute period of distress and undergoing privations due to lack of food, clothes and shelter, a rosy picture about India's emergence as an economically and financially stronger nation, through the adventitious aid of war-time gains, is being painted. All these efforts are not perhaps without a purpose. There is a strong suspicion that the way is being prepared for a revision of the financial settlement in regard to distribution of war expenditure between His Majesty's Government and the Government of India and for getting the sterling balances sterilized as a sort of war debt to be liquidated in the post-war period at leisure by a process of gradual adjustments and token payments. I should say that the process is already in practice under the guise of the Reserve Bank of India selling gold at a price double its statutory value, thereby enabling the British Treasury to earn a cent per cent profit on such sales. It becomes, therefore, the duty of leaders of Indian commerce and industry and Indian publicists not to fight shy of presenting the other side of the medal in as clear and unmistakable a manner as possible and in trying to point out how India has been during these four years saddled with burdens on account of war quite beyond her capacity and out of proportion to the needs and requirements of her own defence situation.

The burdens which we have been obliged to bear can be classified into two groups, viz. direct and visible, and indirect and invisible. It is the latter type of expenditure or burden which has caused us more injury and therefore has been insidious and sapping in its effect. It may also not be possible to make an evaluation of the money value of such burdens. They have meant a high degree of scarcity for the civilian

population and the consequent tightening of the belt over an empty stomach and the situation has been accentuated by the use of the inflationary methods for securing rupee finance required by His Majesty's Government.

Even in the sphere of direct and visible burdens, our share has been phenomenally large and there is no reason for us to fight shy of crying halt. The following table gives the figures of our expenditure both on account of defence and on civil administration :—

EXPENDITURE

In crores of rupees

—	1939-40	1940-41	1941-42	1942-43	1943-44 (estimated)	Total of 5 years
Defence Expenditure ...	49.54	73.61	103.93	238.89	199.66	665.63
Civil Expenditure ...	37.56	40.11	44.44	87.67	76.78	282.56

Defence expenditure has increased from Rs. 49.54 crores in 1939/40 to Rs. 199.66 crores in 1943/44, an increase of over 300 per cent. The latter figure, however, is only the budget estimate and when we remember that in 1942/43 the expenditure amounted to Rs. 238.8 crores including certain items which were taken to capital account, the fear is justified that when the revised figures are announced in March the expenditure might amount to something more. Similarly, the expenditure on the civil side has nearly doubled. The magnitude of our burden cannot be realized or appreciated by a mere reference to absolute totals of expenditure or by a comparison of similar increases in other countries. It has to be considered in relation to our national income and our taxable capacity. Our expenditure during the period of 5 years 1939/40 to 1943/44 is as large as the total expenditure incurred by the Central Government during the preceding 13 years. Again, our defence expenditure during the last five years has been estimated to be 214 per cent more than the entire defence expenditure of India during the last war and the defence expenditure incurred in 1942/43 alone is about 17 per cent more than that of the last war. As I mentioned above, the above figures disclose only a part of the story, viz. the visible and direct part and a real measure of the all-in sacrifices made by the country can be had only after adding thereto the money value, if at all it can be valued, of the indirect and invisible burdens which we have borne and are bearing in the name of war and which has precipitated famine conditions in several parts of India.

A good part of the increase in expenditure during the last five years has been made by increase in taxation, direct and indirect. The rates of income-tax and super-tax have been stepped up, surcharges have been added; from 1940/41 the Excess Profits Tax was levied and this source yielded Rs. 3 crores in that year, Rs. 8 crores in 1941/42 and Rs. 26 crores in 1942/43 and Rs. 40 crores (estimated) in 1943/44 representing a direct collection of 77 crores from trade and industry during the four years. The war-time taxation proposals and levies also suffer from the defect that they are neither scientific nor in keeping with recognized cannons of public finance. Communications like railways, posts and telegraphs, etc., have been used as tax sources by an increase in the rates and charges with the result that the users of such services, the bulk of whom are drawn from the poorer and the middle classes, have had to bear a disproportionately higher burden. By increasing the excise on sugar, motor spirit, matches, tubes and tyres, artificial silk and imposing a new excise on tobacco and vegetable product, Government have added to the travails of the civilian consumers. The surcharge on customs is another burden which assisted the inflationary process although the gross yield from that source has, on account of reduced imports, shown a decline. The increases in taxation under the various heads are indicated in the sub-joined table :—

INCREASE IN TAXATION

In crores of rupees

——	1939-40	1940-41	1941-42	1942-43	1943-44
Customs	45.88	37.30	37.89	31.00	30.00
Excise	6.52	9.49	13.15	12.68	25.42
Income-tax & allied Taxes (E.P.T.)	16.58	21.77	36.67	67.10	89.90
Salt	10.86	7.67	9.20	10.50	9.50
Other Tax Revenue	9.9	1.14	1.20	1.20	1.19
Net Revenue from Railways ...	4.33	12.17	20.17	20.13	27.10
Net Revenue from Posts & Telegraphs	0.89	1.25	3.40	5.55	8.36
Currency & Mint	0.88	0.96	2.17	3.35	3.57
Total ...	86.93	91.75	123.85	151.51	195.04
Increase over 1939-40 ...	...	4.82	36.92	64.48	108.11
Total increase over 1939-40 ...			214 crores.		

Thus during the last four financial years Government have recovered by way of additional taxation an aggregate extra revenue of Rs. 214 crores, or out of the total *increased* expenditure on account of war amounting to over Rs. 500 crores,

Rs. 214 crores have been found from new or increased taxes. After excluding increased receipts from commercial sources like railways and posts and telegraphs, etc., the net tax revenue has gone up from Rs. 75.6 crores in 1939/40 to Rs. 149.4 crores in 1943/44 representing an increase by 100 per cent in tax burdens as such.

I have troubled you with a recapitulation of these figures with a view to point out that the burden, which we have been called upon to bear in the shape of increased taxation during all these years for the purpose of financing the war effort, has been really great and that judged in relation to our national income and our taxable capacity, there is no scope for any further taxation both direct and indirect. On the other hand, there is a pressing need for a thorough scrutiny into the whole position with a view to review whether some of the burdens should not now be reduced. In this connection, the following remarks recently made by Sir Chintaman Deshmukh, the Governor of the Reserve Bank of India are significant :—

> "The proportion of tax revenue to total expenditure during 1942/43 was 50 per cent in the U.K., 55 per cent in India; round these figures in other Empire countries and 26 per cent in the U.S.A. Of taxation again the increase in direct taxation has been far greater than in indirect taxation, so that the proportion of direct taxation to the total has undergone significant increase in many countries. In the U.K. this proportion has increased from 56 per cent to 64 per cent, between the pre-war and 1942/43, while in India the proportion of total taxes on income to total tax revenue increased from 24 to 61 per cent."

Before I conclude, I wish to take this opportunity of conveying my sincere and heartfelt thanks to my colleagues on the Committee, who co-operated with me wholeheartedly during the year of my office, and gave me every assistance in the discharge of my duties. I should also like to put on record my wholehearted appreciation of the valuable services rendered by our Secretary, Mr. J. K. Mehta, during the year. His long experience and knowldege of men and matters have been of very great assistance to me and the Committee in the discharge of our duties. I must also express my appreciation of the enthusiastic services of our First Assistant, Mr. Ramalingam, and all the other members of the staff.

With these words I propose the adoption of the Report and the Accounts.

Mr. Pranlal Devkaran Nanjee (the incoming President) then spoke as under :—

MR. PRESIDENT AND GENTLEMEN,

At the outset let me convey to you all my heartfelt thanks for having done me the honour of electing me as President of the Chamber for the ensuing year. It is an honour, which I value very much; and I need hardly assure you that it will be my best endeavour to maintain and preserve the traditions of that high office. I am also grateful to Seth Haridas Madhavdas, our retiring President, for the kind words in which he has referred to me in his speech. The Presidentship of the Chamber is not merely an ornamental honour; it involves responsibility of a very high order. I hope and trust that with your active co-operation and assistance and with the guidance and advice of the members of the Managing Committee, I will be able to justify the confidence reposed by you in me. Before I second the proposal for the adoption of the Report and the Accounts, I would like to say a few words on matters which are of immediate interest to us.

INDUSTRIALIZATION — POST-WAR POLICY

We were, till lately, thinking in terms of the possibilities presented by the war for accelerating the process of industrialization in the country. It was expected that the war would give us an opportunity for furthering a rapid programme of developing all the key and essential industries in the country with a view to making India self-sufficient in regard to her requirements of manufactured goods. Unfortunately, these expectations have not been fulfilled. There were serious gaps in our industrial structure and conditions created by the war demonstrated the extent to which we were dependent on external sources for the supply of many of our essential and basic requirements. In the matter of manufacturing internal combustion engines, machinery, locomotives, automobiles, aeroplanes, ships, defence materials, electrical equipment, heavy chemicals, dyes, non-ferrous metallurgical products, etc. we have either not even made a start or the progress was almost insignificant. The cry went forth that Government should take every step to make all these industries possible in the country. There were, however, serious practical difficulties, as we were dependent on external sources for the necessary plant and machinery and materials, particularly in regard to key industries. The response from Government to appeals for assistance in securing facilities for making these industries possible was, indeed, disappointing. They pleaded the existence of the war as an excuse for their policy of *laissez faire*,

and even where private enterprise had taken all the preliminary steps, as in the case of automobiles, aeroplanes and ship-building industries, Government's step-motherly treatment stood in the way of these industries being established in a proper manner. In saying this, I am not ignoring the fact that a number of small-scale industries, started during the war, for meeting particularly war requirements and producing some of the articles of civilian consumption which were previously being met from imported sources, have been benefited. It will, however, continue to be our standing regret and disappointment that the opportunity presented by the war has not been taken advantage of, due mainly to Government indifference and apathy, to further a planned programme of industrialization.

As the war, however, is nearing a decisive stage, it is but natural that greater attention should now begin to be paid to problems that will have to be faced and solved in the immediate future and in the post-war period. Certain recent developments have particularly, again, brought to the forefront the question of the future industrial policy of the country. Indian industrialists were encouraged to start new industries and to expand existing ones to the full extent of their capacity with a view to meet the war requirements. When supplies from other countries were inadequate or made impossible due to the war, Government, naturally, gave all sorts of assurances and encouraged Indian industrialists to do their best to make up the deficiency. The investigations and activities of the Supply Department of the Government of India, primarily with a view to meeting war orders, also resulted in the establishment of many small-scale industries in the country. There have, however, lately been efforts to import into the country supplies of consumers' goods on the ground of high prices ruling in the country and the hardships thereby experienced by the people. It was reported that imports of bicycles, drugs, tooth-paste, and other consumers' goods were being arranged from the United Kingdom. At the same time, many of the factories producing such goods in India have been complaining about difficulties in getting the essential materials and component parts necessary for the corresponding industries here. If due to an improvement in the shipping position, Government were enabled to arrange for a relaxation in the existing control on imports, it stands to reason that imports of essential machinery, materials and parts should have been given preference over imports of finished goods, so that while securing an improvement in the supply position of the products from the consumers' point of view, the process of strengthening and consolidating the position of the nascent indigenous industries

would also have been assured. As the Committee of the Federation of Indian Chambers of Commerce and Industry recently observed " the public in India can only put one construction upon the proposed action of Government that, under the guise of making available large supplies of consumers' goods, Government are assisting British industries at the cost of the nascent Indian industries." Is history repeating itself? During the last war, several industries had come into existence to make good the shortage that had taken place, and after the war those industries were left uncared-for by the Government of India and languished for want of support, governmental or otherwise. This aspect was very prominently raised both by your Committee and several other commercial organizations at the commencement of the war in discussions with the officials of the Government of India. As Government were then intent on keying up production in the country, they were very generous in giving promises of whole-hearted assistance to such industries in the post-war period. The Hon'ble Sir A. Ramaswami Mudaliar, the then Commerce Member of the Government of India, made a statement in the Legislative Assembly on 12th March 1940, in discussing this aspect of the matter, and gave this assurance that—

> " We shall not put ourselves in a position to be liable to the same charge once more, and that in case we in any form encourage the development of industries for our war needs we shall make it clear that at the end of the war those entrepreneurs who had come to the assistance of the State and had developed such industries would not be left high-and-dry to take care of themselves."
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> * * *
>
> " But I would go further and state that the question is under active examination as to how far the essential industries that are needed for the prosecution of the war and for making up the lacuna to key industries that is found owing to the loss of some of our imports can be encouraged by Government."

He added that in respect of such industries, Government would be prepared to consider the question of liberalizing the conditions prescribed by the Fiscal Commission for the grant of protection. In view of the apprehensions caused by the above development of assisting the importation of certain types of consumers' goods in preference to affording help and assistance in the shape of increased facilities to corresponding industries here for expanding their production, there is need for a clear and fresh enunciation of Government's industrial policy, both during the war and in the post-war period, so that Indian industrialists who have sunk large amounts in the establish-

ment and expansion of undertakings during the war may feel re-assured about the future.

Closely connected with this question is the question of the future policy of the country in regard to ownership, control and management of industries. It is of paramount importance that the profits, perquisites and fruits of any policy of industrialization should go to the sons of the soil. Particularly in the case of key industries, the entire capital and management should be restricted by law to the nationals of the country. When industries are developed under the protection afforded by tariff walls, the benefits arising out of such industries should not be allowed to be carried away by people who have no permanent stake in the country, and the profits and wealth resulting from all such enterprises should on no account be allowed to go out of the country. During the last few years, we have seen the establishment of subsidiary companies and undertakings in India by foreign interests. The law must provide sufficient safeguards against such an exploitation. In this demand, we are not asking for anything new. As far back as 1916, on the Resolution in the Imperial Council urging the adoption of the policy of development of Indian industries, the Hon'ble Sir William Clarke, the then Commerce Member, observed that "the building up of industries where capital, control and management should be in the hands of the Indians is the special object we have all in view." He also deprecated the taking of any steps which might "merely mean that the manufacturer who now competes with you from a distance would transfer his activities to India and compete with you within our own boundaries." The right of every State to restrict, regulate and even prohibit the entry of non-nationals into certain branches of the economic life of the nation, has been internationally recognized. In fact, measures are in force in several countries, where the setting up of foreign companies and undertakings is subject to prior official sanction. The International Conference on the Treatment of Foreigners, held in Paris in 1931, definitely recommended that certain branches of trade and industry, such as exploitation of mineral and power resources, industries forming the subject of concessions, manufacture of arms and ammunitions, coastal shipping, fishing in territorial waters, state-regulated monopolies or undertakings, insurance, etc. should be exclusively reserved for the nationals of the country. It is, therefore, necessary that this aspect of the problem should be prominently borne in mind in connection with the formulation of post-war industrial policies.

The Law relating to Government Securities

At the last session of the Central Legislature the Government of India introduced a Bill to amend and consolidate the

law relating to Government Securities. The more important change related to a provision for the administration by the Reserve Bank of India in regard to matters relating to such loans and for the summary determination by the Bank of title to any Government Security in case of dispute. This Bill was examined by the Committee of the Chamber in great detail and they had submitted to Government a memorandum containing their views. I do not wish to take up your time by referring to those details but there are one or two important aspects arising out of the proposed legislation and I shall make a brief reference to the same. The present position is that the Securities of both the Central and Provincial Governments are governed by the same law, viz. the provisions of the Indian Securities Act, 1920, regulated by the same rules of procedure, have the same type of legal rights and obligations attached to them and in the eyes of the investing public betoken more or less the same degree of security and confidence. The Reserve Bank of India act as agents in the matter of issue, collection, payment, administration, etc., of the Public Debt, both of the Central and the Provincial Governments. For statutory requirements, as in the case of investments under the Indian Trust Act as Trustee Securities or investments under the Insurance Act as Approved Securities, the Provincial and Central Government Loans are treated on a uniform basis. In the money markets and stock exchanges in the different centres of the country, transactions take place in the securities issued by the different Provincial Governments in the same manner as in the case of those issued by the Central Government. The provisions of the new Bill, however, are intended to apply only to securities issued by the Central Government. So far as Provincial Governments are concerned, the old Act and the provisions thereof would continue to operate. Such a procedure is *prima facie* inconvenient and would lead to a good deal of confusion in the minds of the investing public. Different sets of Acts or regulations will lead to complications in regulating the day-to-day transactions in these securities and in consequence dealings in Provincial Government securities may be comparatively restricted and their popularity and negotiability will also diminish. We have, therefore, urged in our memorandum that the securities of both the Central and the Provincial Governments should be governed by the same principles of law and as such should be under one legislation enacted by the Central Government and having force throughout British India.

According to Government, the justification for the separate treatment of the securities of the Central Government from those of the Provincial Governments was that the limitations

inherent under the Government of India Act, 1935, would stand in the way of the Central Government legislating for the whole of British India as Provincial Government loans were included in the Provincial legislative list. In order to meet any such technical difficulty we have suggested that the Central Government should by negotiations with the Provincial Governments concerned arm themselves with necessary powers to legislate for all-India so as to make the proposed new Act applicable to securities of both Central and Provincial Governments. We have also suggested, as an alternative, that the Central Government should secure the enactment of analogous legislation by the different Provincial Governments in their respective areas. In short, we are anxious that the law relating to Government Securities should be uniform throughout British India and any technical difficulty in the way of the achievement of that object should be got over by suitable negotiations and adjustments between the Central Government and the Provincial Governments concerned.

While discussing the provisions of the Bill in question, we have also reiterated our views on the position of Government in respect of Government Securities which had been renewed. The investing public, it may be pointed out, were by long usage led to believe that on renewal of a Government Promissory Note, the holder got a good title and as a matter of fact a new contract was constituted between such a holder and Government and any defects in the endorsements of the old Promissory Note were deemed to have been cured by Government issuing the renewed Note. The above position was disturbed as a result of the decision of the Privy Council in the case. Secretary of State for India *vs.* The Bank of India. It was held in that case that Government had a right of implied indemnity against the last endorsee in respect of such renewed notes and as such, Government would be protected from any loss arising out of any such defect in the title. We have requested that the uncertainty created by the above decision should be ended so as to protect the investing public by providing that on renewal the holder would be deemed to have entered into a new contract and as such secured a title beyond chances of any dispute. We have also further suggested that if Government considered it inadvisable to assume full legal obligation in respect of any renewed security, they should at least agree to institute a time limit of say three years after which no question of the validity of an endorsement could be raised. In the interests of preserving the popularity of Government Paper, it is necessary that Government should include some protection in regard to this vital matter in their proposals relating to changes in the Indian Securities Act.

In order to eliminate long drawn out disputes and action in Courts regarding title to a Government Security, the Bill seeks to provide a machinery for the summary adjudication by the Reserve Bank of any disputes. The Bank is empowered to depute any of its officers to investigate such disputes, after giving due notice to the claimants, and confer full title to the disputed property on the party who appears to the investigator to be the legal claimant by making a Vesting Order. While the above procedure would simplify day-to-day working and would obviate recourse to vexatious legal action, we felt that it would be desirable to ensure that the new procedure did not in any way prejudice the interests of the rightful claimant. We therefore suggested the inclusion of a provision for an appeal against the decision of the officer concerned to a Committee consisting of not less than three members appointed by the respective Local Board of Directors of the Reserve Bank, the decision of such a Committee to be deemed as final and conclusive. Another important point covered by the proposed legislation was in regard to the period of limitation in respect of payments due under Government Securities. The Bill provides that the liability of the Central Government in respect of a Government Security and of any interest payment due on it shall terminate on the expiry of six years from the date on which the amount in question became due. Under the provisions of the Indian Securities Act, 1920, as they stand today, liability of Government so far as principal and interest are concerned, will cease only on *repayment* of the amount due. This is, therefore, the first time that Government are endeavouring to provide a period of limitation in regard to payment of value of Government Securities. As we all know Government Bonds and Securities are deemed almost in the nature of cash or currency by the general public and it would be unwise for Government at this stage to destroy that confidence by introducing a factor of time bar in the matter of repayment. There should be no limitation whatsoever on the issue of payment of principal and interest. This is a very important point so far as the investing public are concerned. If tomorrow Government announce that currency notes issued by them are valid only for a specified period, you may just imagine the sense of insecurity that would be engendered by any such proposal. Similarly, the introduction of a time factor in regard to the currency and the negotiability of Government Bonds and Securities will surely lead to the undermining of public confidence in such securities. Government will, therefore, do well to abandon this proposal to introduce a period of limitation in regard to repayment of Government debt.

Excess Profits Tax and Proposed Restrictions on Dearness Allowance, Bonus, Commission, Etc.

The Excess Profits Tax was first introduced in January 1940, and covered profits made after 1st September 1939. The object of the measure, as announced by Government, was to secure to the Indian Exchequer " a considerable portion of the additional business profits which accrue as a result of the conditions prevailing during the war." When the tax was first introduced, it was collected at the rate of 50 per cent of the excess of profits made in any year over the " Standard Profits ". The rate was subsequently raised to 66 2/3 per cent in 1941. The tax yielded Rs. 3 crores in 1940-41; Rs. 8 crores in 1941-42; Rs. 26 crores in 1942-43; and Rs. 40 crores (estimated) for 1943-44. Although at that time the Indian commercial community made strong representations pointing out the objectionable features and likely consequences of this levy, my purpose in referring to it here is to give expression to our views in regard to certain further developments connected with the tax. In May last year His Excellency the Governor-General promulgated an Ordinance providing for summary provisional assessment of Excess Profits Tax, a compulsory deposit of 20 per cent of the tax under the scheme of post-war refund and power to limit payments of bonus and commission, etc. to employees admissible as deductions for the Excess Profits Tax purposes. The Excess Profits Tax Act was a piece of legislation duly passed by the Central Legislature, and it was not proper to have amended that Act by the issue of an Ordinance, without even subsequently making an attempt to get such an amendment ratified by the Legislature by a regular amending Act. As any disallowance of expenditure incurred by a business under the powers vested by the Ordinance and the subsequent rules which are at present being framed in that connection, would amount to Government collecting more tax than was authorized by the scheme of Excess Profits Tax Act, the whole procedure is tantamount to taxation by Executive decision and is, therefore, irregular and unfair.

On constitutional grounds, we have all along been opposed to the power of making Ordinances vested in the Governor-General; but the constitutional propriety in extending this power for making laws affecting trade, commerce and industry, and particularly to authorize any increase in taxation without the consent of the Legislature, is open to serious objection. Apart from such constitutional considerations, the restrictions now proposed by Government are unjustified and uncalled-for. Employers are expected to know their business and they will ordinarily be incurring expenditure only to the extent necessary for carrying on business in the most efficient and satis-

factory manner. The extent and nature of the payments to be made to their empoyees, either in the shape of allowances, bonus or commission, are matters of internal administration, quite beyond the purview of official interference. Moreover, the tax laws of the country already include provisions which would enable the tax officials to question any transactions which *prima facie* appear to be artificial or fictitious, or to disallow any expenditure which cannot legitimately be said to have been incurred in the interests of the business.

Your Committee have submitted a detailed representation containing their views and suggestions on the proposals of Government regarding limits upto which payments of dearness allowance, bonus, commission, etc. should be allowed for taxation purposes. As all these suggestions have already been published in detail, I do not wish to take up your time by referring to the same here. At the same time I should like to urge that in these days of increasing cost of living and difficulties in getting adequate supplies of articles of day-to-day necessity, the employees are entitled to relief in the shape of larger payments, whatever form such payments may take, so as to enable them to maintain, if not improve, their standard of living. Further the Excess Profits Tax is claimed by Government themselves to be a levy on the increased prosperity of business and industries. Are not the workers and other employees who contribute directly to that prosperity, entitled to a reasonable share in the same? Government are always fond of emphasizing the need for respecting the sanctity of contracts. It is, therefore, a matter for no small surprise that, even where payments at certain levels or on certain basis are due as part of existing contractual obligations, Government should claim to extend their right of disallowance! The net result of these proposals will be that the tax will be collected, not on the net profits of the business or industries on the basis provided in the E.P.T. Act, and contemplated by the Legislature when the same was passed, but a sum adjusted by Government in an arbitrary manner which might have no relation to the actual excess of profits earned or available for disposal. The whole procedure is objectionable, and in justice to all the parties concerned, Government should stay their hands in regard to the promulgation and enforcement of any such Rules; and if in their opinion, some restrictions are necessary, they should bring forward their proposals before the Legislature in the next Budget Session.

Along with these rules regulating payments to employees, Government have also published their draft proposals regulating trading stocks and stocks of raw materials, which shall be allowed in computing capital for Excess Profits Tax purposes.

Government's formula, briefly, is that the value of stocks allowed in the Chargeable Accounting Period should bear the same relation in value to the sales of that period, as the value of stocks in the Standard Period bore to the sales of that period. Any such rule-of-thumb, cannot work in practice. The assumption, underlying the proposals, that there is a constant and uniform relation between stocks and turnover in the same business or industry from year to year is demonstrably wrong, and more so during the present abnormal conditions. There is considerable disorganization in the transport services available in the country, and in view of the known difficulties in getting regular supplies in time, it would be but part of prudence for industrialists and businessmen to keep larger stocks to enable them to pursue their operations without any interruption. In the case of imported raw or manufacturing materials, in view of the existing difficulties in getting licences and permits for controlled articles, difficulties connected with shipping and in getting replenishments from supplying countries, the need for building up reserve stocks cannot be overlooked. If Government, however, are unwilling to abandon their proposals in regard to any restrictions on stocks, they should at least, as suggested by your Committee, agree to a weightage to the extent of 25 per cent in excess of the Standard Period percentage for such stocks, in order to meet the conditions created by irregular supplies, lack of shipping, transport difficulties, etc.

With these words I second the proposal for the adoption of the Report and the Accounts.

Mr. M. A. Master (the incoming Vice-President) thanked the members of the Chamber for having elected him as Vice-President of the Chamber for the year 1944.

In the general discussion that ensued, the following members participated :—

Messrs. Chandulal Sarabhai Modi, Karsondas G. Asher, Sarabhai Prataprai, Bithaldas Binani, Dawood Hajeee Nasser and M. P. Gandhi.

The proposition for the adoption of the Report and the Accounts was put to the vote and carried unanimously.

The declaration of the results of the election of Office-bearers of the Chamber for 1944, read by the Secretary, was recorded. The following are the names of elected members of the Committee for 1944 :—

President : Mr. Pranlal Devkaran Nanjee.

Vice-President : Mr. M. A. Master.

1. Mr. Ratilal M. Nanavati
2. ,, Vithaldas D. Govindji
3. ,, Gordhandas G. Morarji
4. ,, Sankalchand G. Shah
5. ,, R. G. Saraiya
6. ,, M. M. Amersey
7. ,, Sarabhai Prataprai
8. ,, Madhavlal M. Bhatt
9. ,, Amritlal Kalidas
10. ,, Vijaysinh Govindji
11. ,, Chimanlal B. Parikh
12. ,, Ratilal M. Gandhi
13. ,, Chhotabhai S. Patel
14. ,, Haridas Motilal Parikh
15. ,, B. S. Dabke
16. ,, Dawood Hajee Nasser
17. ,, Mangaldas B. Mehta
18. ,, Mohanlal A. Parikh
19. ,, Dhirajlal C. Modi
20. ,, Mathuradas Canji Matani
21. ,, B. M. Bhargava
22. Professor Sohrab R. Davar
23. Mr. Mahomed Husein Hasham Premji

Mr. Vithaldas D. Govindji proposed that Messrs. Devidas Vithaldas & Co. be appointed Auditors of the Chamber for the year 1944, and the remuneration for the work be fixed at Rs. 200.

The same was seconded by Mr. Dhirajlal C. Modi, and on being put to the vote, carried unanimously.

Mr. Sarabhai Prataprai moved a Vote of Thanks to the Chair.

The same was seconded by Mr. Dhirajlal C. Modi and supported by Mrs. R. N. Bapasola.

Mr. Pranlal Devkaran Nanjee (the incoming President) put the proposition to vote and the same was carried with acclamation.

The meeting then terminated.

CHAIRMEN OF THE INDIAN MERCHANTS' CHAMBER

1907—13 Sir Manmohandas Ramji.
1913—14 Sir Purshotamdas Thakurdas, C.I.E., M.B.E.

1914—15	Sir Fazulbhoy Curimbhoy, C.B.E.
1915—16	Sir Dinshaw Edulji Wacha.
1916—17	Sir Lallubhai Samaldas, C.I.E.
1917—18	Sir Vithaldas D. Thakersey.
1918—19	Sir Chunilal V. Mehta, K.C.S.I.
1919—20	Mr. Jehangir Bomanji Petit.
1920—21	Mr. Lalji Naranji.
1922	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1923	Sir Fazulbhoy Currimbhoy, C.B.E. (from 24-2-23 to 3-9-23).
	Mr. Devidas Madhowji Thakersey (from 4-9-23 to 25-1-24).
1924	Sir Manmohandas Ramji.
1925	Sir Phiroze C. Sethna, O.B.E.
1926	Mr. Lalji Naranji.
1927	Mr. Walchand Hirachand.
1928	Sir Shapurji B. Billimoria, Kt., M.B.E. (from 31-1-28 to 20-3-38).
	Sir H. P. Mody (from 30-2-28 to 17-7-28) and Mr. L. R. Tairsee (from 28-7-28).
1929	Mr. L. R. Tairsee.
1930	Mr. Hooseinbhoy A. Lalljee.
1931	Sir Chunilal V. Mehta, K.C.S.I.
1932	Mr. B. N. Karanjia (till November).
	Mr. Mathuradas C. Matani (November to January).
1933	Sir Manmohandas Ramji.
1934	Mr. Mathuradas Vissanji.
1935	Mr. Manu Subedar.
1936	The Hon'ble Sir Rahimtoola Chinoy, Kt.
1937	The Hon'ble Mr. Govindlal Shivlal Motilal.
1938	Mr. Gordhandas G. Morarjee.
1939	Mr. J. C. Setalvad.
1940	Sir Chunilal B. Mehta.
1941	Mr. M. C. Ghia
1942	Mr. J. C. Setalvad,
1943	Mr. Haridas Madhavdas.

Secretary : Mr. J. K. Mehta.

Assistant Secretaries : Mr. A. C. Ramalingam, and Mr. K. P. Daru.

CHAMBER'S REPRESENTATIVES ON PUBLIC BODIES—1943

Representative in the Legislative Assembly (Central)

Mr. Manu Subedar, M.L.A.

Representative in the Bombay Legislative Assembly

Mr. M. C. Ghia, M.L.A. (Bombay).

Representatives on the Board of Trustees of the Port Trust

1. Mr. Haridas Madhavdas.
2. Mr. B. N. Karanjia (Piecegoods).
3. Mr. Ramdas Kilachand (Grain & Seeds).
4. Mr. M. A. Master (General).
5. Mr. J. C. Setalvad (General).

Representative on the Bombay Municipal Corporation

Mr. Bhawanji A. Khimji.

Representative on the Advisory Committee of the Bombay Development Department

Mr. Manu Subedar.

Representative on the Indian Central Cotton Committee

Sir Chunilal B. Mehta.

Representative on the Advisory Committee of the Royal Institute of Science in Bombay

Dr. K. A. Hamied.

Representatives on the Local Advisory Committee of Railways

G. I. P. Railway

Mr. Madhavlal M. Bhatt.

B. B. & C. I. Railway

Mr. Chhotabhai S. Patel.

Representatives on the Panel of the Railway Rates Advisory Committee

1. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E.
2. Mr. Manu Subedar.
3. Mr. Mathuradas Vissanji.
4. Sir Rahimtoola Chinoy.
5. Mr. Kapilram H. Vakil.

Representative on the Governing Body of the Indian Mercantile Marine Training Ship "Dufferin"

Mr. M. A. Master.

Representative on the Senate of Bombay University

Mr. Mangaldas B. Mehta.

Representative on the Tariff Control Committee (Bombay)
Hon'ble Mr. M. N. Dalal.

Representative on the Board of Communication
Mr. Keshavprasad C. Desai.

Representative on the Indian Sailors' Home Committee
Mr. M. A. Master.

Representative on the Sydenham College Advisory Board
The Hon'ble Sir Rahimtoola M. Chinoy, Kt.

Representative on the Ramniranjan Anandilal Podar College of Commerce
Sir Chunilal B. Mehta.

Representatives on the Panel of Employers under the Industrial Disputes Act
Mr. J. C. Setalvad.
Sir Chunilal B. Mehta.
Mr. Behram N. Karanjia.
,, M. C. Ghia.
,, M. A. Master.

Representative on the Provincial Transport Authority under the Motor Vehicles Act
Mr. J. C. Setalvad.

Representative on the War Supplies Advisory Committee, Bombay
Mr. M. C. Ghia.

Representative on the Prohibition Research Advisory Board
Sir Chunilal B. Mehta.

Representative on the Panel of Advisers re: Priority Recommendations for Import of Machinery (1942)
Mr. M. C. Ghia.

Representative on the Advisory Committee under the Trade Marks Act—
Mr. M. M. Amersey.

Yarn Advisory Committee—Mr. J. C. Setalvad.

Civil Defence Committee—Mr. J. C. Setalvad.

TRUSTEES OF THE CHAMBER

Mr. Gordhandas G. Morarjee
„ J. C. Setalvad
„ M. C. Ghia
„ Chaturbhuj Gordhandas Soonderdas
„ Behram N. Karanjia

Advisory Committee for Coal and Coke—Mr. Thakorelal H. Vakil.

Transport Board Advisory Panel—Mr. M. A. Master.

Committee re: requisitioning of godowns—Mr. R. G. Saraiya.

Advisory Panel for transport of gunnies and hessians—Mr. Haridas Madhavdas.

Food Advisory Council—Mr. J. C. Setalvad.

Advisory Committee for exports of piecegoods and yarn—Mr. Haridas Madhavdas.

OFFICE-BEARERS FOR THE YEAR 1944

President:

Seth Pranlal Devkaran Nanjee.

Vice-President:

Mr. M. A. Master.

Members of the Committee:

(1) Elected:

1. Mr. Ratilal M. Nanavati.
2. ,, Gordhandas G. Morarji.
3. ,, Sankalchand G. Shah
4. ,, R. G. Saraiya.
5. ,, M. M. Amersey.
6. ,, Sarabhai Prataprai.
7. ,, Madhavlal M. Bhatt.
8. ,, Amratlal Kalidas.
9. ,, Vijaysinh Govindji.
10. ,, Chimanlal B. Parikh.
11. ,, Ratilal M. Gandhi.
12. ,, Chhotabhai S. Patel.
13. ,, Haridas Motilal Parikh.
14. ,, B. S. Dabke.
15. ,, Dawood Hajee Nasser.
16. ,, Mangaldas B. Mehta.
17. ,, Mohanlal A. Parikh.
18. ,, Dhirajlal C. Modi.
19. ,, B. M. Bhargava.

20. Professor Sohrab R. Davar.
21. Mr. Mahomedhusein Hasham Premji.

(2) Co-opted: (*a*) Individual Members—

1. Sir Cowasji Jehangir, Bart.
2. Mr. Fazal Ibrahim Rahimtoola.
3. Sir Manilal B. Nanavati.

(*b*) Association Members—

4. The Grain Merchants' Association (Mr. Velji Lakhamsi).
5. The Bombay Shroff Association (Mr. Jayantilal M. Shah).
6. The Bombay Bullion Exchange, Ltd. (Mr. Lachhmandas H. Daga).
7. The Maharashtra Chamber of Commerce (Mr. M. L. Dahanukar).
8. The Bombay Grain Dealers' Association (Mr. Khimji Madan Bhujpuria).
9. The Indian Insurance Companies' Association (Mr. Mathuradas Dwarkadas).
10. The Bombay Iron Merchants' Association (Mr. A. A. Jasdanwala).
11. The Chamber of Income-tax Consultants (Mr. Bhogilal C. Shah).
12. The Indian National Steamship Owners' Association (Mr. Ratanchand Hirachand).
13. The Bombay Kariana Merchants' Association (Mr. Khatau Vallabhdas).
14. Shree Mahajan Association, Ltd. (Mr. Venilal Narottamdas Patwa).
15. The Bombay Cotton Merchants' & Muccadams Association, Ltd. (Mr. Purshotamdas H. Shah).
16. The Bombay Malabar Kariana Merchants' Association (Mr. Vallabhdas Vasanji).
17. The Bombay Yarn & Silk Merchants' Association (Mr. Purshotamdass Popatlal).
18. The Indian Motion Picture Producers' Association (Rai Bahadur Chuni Lall).
19. The Silk & Art. Silk Mills Association, Ltd. (Mr. Ramdeo A. Podar).
20. The Association of Electrical Undertakings (Bombay Province), (Mr. N. C. Javeri).
21. The Association of Indian Importers of Dyestuffs (Mr. K. H. Kabbur).
22. The Africa Shippers' Association (Mr. Hooseinbhoy A. Lalljee).
23. The Memon Chamber of Commerce (Mr. Musa T. Memon).

(3) Ex-Officio Members :

1. Mr. Manu Subedar, M.L.A. (Central Legislative Assembly).
2. Mr. M. C. Ghia, M.L.A. (Bombay Provincial Legislative Assembly).
3. Mr. J. C. Setalvad (Bombay Port Trust).
4. Mr. Haridas Madhavdas do.
5. Mr. Ramdas Kilachand do.
6. Mr. Behram N. Karanjia do.
7. Sir Chunilal B. Mehta (Indian Central Cotton Committee).
8. Hon. Sir Rohimtoola M. Chinoy (Sydenham College Advisory Committee).
9. Mr. Bhawanji A. Khimji (Bombay Municipality).
10. Seth Chatrabhuj Gordhandas (Trustee of the Chamber).
11. Mr. Keshavprasad C. Desai (Bombay Board of Communications).
12. Dr. K. A. Hamied (Royal Institute of Science Advisory Committee).
13. Hon. Mr. Manockji N. Dalal (Traffic Advisory Committee).

Mr. J. K. Mehta, M.A. (*Secretary*)

Mr. A. C. Ramalingam (*Assistant Secretary*)

LIST OF JOURNALS AND PERIODICALS RECEIVED IN THE LIBRARY OF THE INDIAN MERCHANTS' CHAMBER

Quarterly

1. Journal of the Council for Scientific and Industrial Research (Australia).
2. *Journal of the Scientific & Industrial Research, New Delhi.
3. The Journal of the Indian Institute of Bankers.
4. *Round Table.
5. Journal of the University of Bombay.
6. Indian Journal of Social Work.

Bi-Monthly

1. Industrial Safety Survey (International Labour Office).

Monthly

1. *Monthly Bulletin of Statistics issued by the League of Nations.
2. International Conciliation.

*Subscribed for by the Chamber.

3. London Chamber of Commerce Journal.
4. Monthly Journal of the Liverpool Chamber of Commerce.
5. ,, ,, ,, Manchester ,, ,,
6. ,, ,, ,, Bradford ,, ,,
7. The Commercial Review, Alleppey.
8. Southern India Commerce.
9. *National Geographical Magazine.
10. Mercantile Guardian.
11. *International Labour Review.
12. Bombay Labour Gazette.
13. Monthly Sea-borne Trade Return of British India.
14. Monthly Statistics of Cotton, Shipping and Weaving in Indian Mills.
15. Trade at Stations adjacent to Land Frontier Routes.
16. Raw Cotton Trade Statistics.
17. Joint Stock Companies.
18. *Modern Review.
19. *Asia.
20. Indian Concrete Journal.
21. Monthly Review of the Lloyds Bank.
22. ,, ,, ,, National City Bank of New York.
23. ,, ,, ,, Federal Reserve Bank.
24. Mysore Economic Journal.
25. Tisco Review.
26. *Fortune (U. S. A.).
27. Safety News.
28. *Indian Textile Journal.
29. *Indian Home.
30. The Ceylon Trade Journal.
31. Journal of the Motion Picture Society.
32. Guaranty Survey.
33. *New Indian Antiquary.
34. Marketing in India.

Fortnightly

1. Insurance Review.
2. *Income-tax Report.
3. Journal of the Joint Stock Companies.
4. Public Information Series.

Weekly

1. *Economist.
2. *New Statesman and Nation.
3. *Commerce, Bombay.
4. *Indian Finance.
5. Indian Trade Journal.
6. Foreign Commerce Weekly (U.S.A.)
7. Industrial and Labour Information (I.L.O.).

8. *Bombay Government Gazette.
9. *Gazette of India.
10. Commerce and Industry.
11. Austral News.
12. *Roy's Weekly.
13. Weekly Market Report by Messrs. Premchand Roychand.
14. *Indian Social Reformer.
15. The Financial News.
16. *Kesari (Bi-Weekly).
17. Annalist.
18. Capital.
19. *Time.
20. *Life.
21. China Information Bulletin.

Occasional

1. Central Legislative Assembly Debates.
2. Council of State Debates.
3. *Publications of the International Labour Office.
4. Indian Tea Statistics.
5. Indian Coffee Statistics.
6. Indian Agricultural Statistics.
7. Wholesale Price of certain Staple Articles of Trade at Selected Stations in India.
8. *Publications of the League of Nations.
9. Bulletins issued by the United States Bureau of Labour Statistics.
10. Bulletins issued by the Government of Bombay, Department of Industry.
11. Bulletins issued by the Government of Bombay, Agricultural Department.
12. Bulletins issued by the Council of Agricultural Research Commonwealth of Australia.
13. Reports of several Chambers of Commerce and other Commercial Associations.
14. Reports of Tariff Board.
15. Publications issued by the Department of Commercial Intelligence and Statistics.

Gujerati Periodicals

1. Gujerati Punch (Weekly).
2. Khetiwadi Vignan.
3. Prasthan.
4. Majur Sandesh.
5. Suvas.

REPORT OF THE COMMITTEE
OF
THE INDIAN MERCHANTS' CHAMBER

For the year 1943 presented at the 36th Annual General Meeting of the Chamber held on 26th January, 1944.

Your Committee have pleasure in presenting the 36th Annual Report of your Chamber. During the course of the year 44 meetings of the Committee and over 80 meetings of the various Sub-Committees were held, the work done being of a varied and important nature.

The subjects dealt with by your Committee have been grouped under the following main heads :—

(1) Transport and Communications (Page No. 3)
(2) Finance, Tariff and Taxation (Page No. 31)
(3) Trade, Industrial and Labour Legislation (Page No. 54)
(4) General Trade and Industry (Page No. 61)
(5) General (Page No. 90)

I. TRANSPORT AND COMMUNICATIONS.

Licensing of Ships on the Indian Register.

In their telegram dated 23rd September addressed to the Government of India the Committee protested against the proposed introduction of a system of licensing of ships on Indian register, as few out of the many commandeered ships on the Indian register remained to render service on the Indian coast. Such a system would prove a hardship as it would mean restriction on movement as also on the nature of cargo carried by them. Objection was taken to the fact that such licensing was proposed to be applied to ships on Indian Register only, which would appear as discrimination against Indian shipping. The Committee feared that this would also lead to the transfer of ocean-going steamers from the Commerce Department to the War Transport Department. It was urged that not only the ocean-going steamers but the countrycrafts should also remain under the control of the Commerce Department. The Committee requested that steamers on British Register plying in Indian waters should be brought under the control of the Controller of Indian shipping to remove the impression that discrimination was practised against Indian shipping.

The Government of India in their reply informed the Committee that there was no discrimination practised against Indian shipping under the control over ships on the Indian Register. The ships on the British Register had been already requisitioned by His Majesty's Government and operated under the direct control of the Ministry of War Transport. They were therefore also under a measure of control. From henceforth the Controller of Indian Shipping and the representative of the Ministry of War Transport would jointly control the shipping tonnage running between Karachi, Calcutta and intermediate ports. The Coastal Shipping Committee would be formed consisting of the Ministry of War Transport and the representative of the Controller of Indian Shipping which would co-opt other Railway authorities, the Transport Officer, Bombay, the Countrycraft Organisation Officer, etc. It

was stated that this Committee would jointly control Indian shipping.

The Committee in their telegram dated 20th October informed the Government of India that they were not convinced of the assurance that the Indian shipping would enjoy the same privilege as the British shipping interests under the proposed joint control. The British Ministry of War Transport had given a considerable number of ships to British shipping companies to carry a far larger quota of cargo than their quota of trade. On the contrary, the Government of India had not secured even a single ship to the Indian shipping companies with the result that they had fallen far short of the quota allotted to them. One single shipping company, namely, the Scindia Steam Navigation Co. Ld., had been a short carrier of over 1,35,000 tons this year alone. They therefore, urged that all ships whether on the Indian Register or British Register must be brought immediately under the control of the Controller of Indian Shipping in conjunction with the representatives of Indian commercial community and Indian shipping interests. It was regretted that there was no representative of shipowners or countrycraft owners on the proposed Coastal Shipping Committee. It was urged that Government should concert measures with a view to hold the scales even in regard to Indian shipping as the measures already adopted were considered doubtful to achieve that end.

Unified Control over Shipping on the Indian and British Registers.

On 16th October the Committee addressed the Government of India regarding the necessity of instituting unified control over ships on the Indian and British Registers plying in Indian waters. They set forth a number of points for consideration of Government a brief summary of which is as under :

The Controller of Indian shipping should be made responsible in regard to movement of ships both on the Indian Register as well as ships on the British Register plying in Indian waters. The movement of such controlled shipping should be so arranged and utilised that the Indian shipping

companies might be in a position to carry cargo according to their quota and maintain their position in the coastal waters. In the interests of Indian shipping, no efforts by certain interests for transferring blue water shipping from the control of the Commerce Department to that of the War Transport Department should be countenanced. The Commerce Department should not only be made responsible for blue water shipping but should also be given control over the movement of country crafts in ocean-going trade which were at present being controlled by the War Transport Department.

Appointment of a Non-Indian as Assistant Indian Shipping Adviser.

It will be recalled that the Committee had protested against the appointment of a non-Indian as Assistant Shipping Adviser, as published in the summary Report of the Committee for the year 1942. The Committee had also drawn the attention of the Hon'ble the Commerce Member in an interview with him, to the desirability of an Indian being appointed to the post. The Government of India in their communication dated 5th January requested the Committee to furnish the names of a few Indians who would be suitable for the post. It was added that the scale of salary for the post for one not already in Government service would be Rs. 500 per month. The Committee in their reply dated 20th January referred to the enquiries made by Government of shipping companies as to whether they would be able to spare any one of their officers for the purpose. In view of this the Committee did not think it necessary to supply a list of suitable persons for the post as the names supplied by them would be from the personnel of the shipping companies. It was, however, pointed out that the scale of salary as mentioned in the letter under reference was very low and that it would not be possible to secure suitable Indians to take up such a post on such a low salary. Under the circumstances, unless Government offered the Indian incumbent the same emoluments and the same rights and privileges as were enjoyed by the non-Indian Shipping Adviser, it would not be possible for them to suggest any name for the post.

Transport Committee of the Post-War Reconstruction Committee.

The Committee on 23rd October addressed the Government of India regretting that no non-official representative of the Indian shipping interests had been invited to serve on the Transport Committee of the Post-War Reconstruction Committee appointed by the War Transport Department. The Committee maintain that the shipping interests had as much to do with the above Committee as a large amount of internal transport was also done by the inland waterways. It was urged that if the shipping interests were excluded from the deliberations of such a Transport Committee the difficulties with regard to inland waterways would not be properly solved. They therefore requested that the shipping interests should also be represented on the Transport Committee.

Blue-Water Shipping Under Commerce Department.

The Committee, in their telegram dated the 2nd September 1943, addressed to the Commerce Department, Government of India, protested against the transfer of administration of countrycrafts to the War Transport Board from the control of the Commerce Department, to which the countrycrafts belonged as part of blue water shipping. They referred to the previous re-transfer of blue water shipping from the War Transport Board to the Commerce Department on protest by commercial bodies. The Committee regretted that in spite of the confirmed view of the commercial interests that blue water shipping should be under the control of the Commerce Department, a part of this should have been again transferred to the War Transport Board. The Committee were of opinion that if the Commerce Department was exclusively in charge of blue water shipping, greater co-ordination was possible in administering the various types of ocean-going vessels.

Settlement of Claims Re: Ships Requisitioned.

In a telegram dated 13th October, addressed to the Government of India, the Committee drew attention to the assurance given by the Hon'ble Mr. N. R. Pillai at his interview with them that all outstandings in connection with the requisitioning and commandeering of ships would be finally settled within

six weeks. They reminded Government that no adjustment re : claims of shipping companies against their requisitioned ships had been made. It was urged that such payments should be made without any further delay.

Requisitioning of s.s. "San Francisco Xavier".

On 23rd September the Committee sent a telegram to the Government of India protesting against the proposed requisitioning of s.s. "San Francisco Xavier" plying on the Bombay-Dabhol service, as such requisitioning was bound to cause great inconvenience to a large number of passengers hailing from several ports using the sea route between Bombay and Konkan. It was pointed out that as the bus service in that area had been discontinued, such requisitioning would have adverse effects on the traffic concerned endangering the Bombay industries as a large part of labour was drawn from that area. It was urged that one ship at least must be released for this traffic from the various ships commandeered uptill now without further delay.

The Government of India in their reply dated 28th September regretted that they were unable to comply with the request of the Committee for Xavier being put in commission on the service as the same was needed by Government. They also stated that the public should be satisfied that s.s. "Chandravati" had been left to ply on the coast which was a larger vessel. They also assured that s.s. "Padmavati" would be put in commission after the necessary repairs had been carried out. The Committee in their further reply dated 16th October stated that s.s. "Chandravati" was not calling at the ports at which "Xavier" called. "San Francisco Xavier" carried every year between Bombay and Dabhol nearly 300,000 passengers which service could not be expected from any other steamer. Besides the service rendered by "San Francisco Xavier" was not a luxury service but catered for the transport, in respect of Bombay's industrial labour which came mostly from ports served by "Xavier". They were afraid that the repairs needed by "Padmavati" would take too long a period. Besides that steamer was a slow steam vessel and was not capable of doing as many trips as "Xavier" could do. It was, therefore, urged that "Xavier" should be released for the benefit of Bombay's industrial labour. Government, in

their reply dated 4th November, informed the Committee that it was not possible for them to release " Xavier " but they assured the Committee that " Padmavati " would be soon put into commission on the Konkan Coast and that the Konkan traffic would be assisted to the best of their ability.

Steamer Service between Bombay and Vengurla.

The Committee addressed a letter on 17th March 1943, regarding the heavy traffic between Vengurla and Bombay. It was pointed out by the Committee to the Shipping Adviser that the fruit-growers from Vengurla were finding it very difficult to despatch their cargo by bus because of the inadequate provision of bus traffic. Passengers as well as merchants travelling between the two places were put to great inconvenience because of the stoppage of a regular steamer service between these two places. It was, under the circumstances, urged to re-start the regular steamer service and thus relieve the heavy congestion on the bus traffic and, at the same time, enable fruit merchants to despatch their perishable cargo quickly to Bombay, thereby relieving, to an extent, the acute shortage of fruit in the City. The Shipping Adviser in his letter dated 1st April informed the Committee that the Transport Advisory Board had considered the matter and in view of the unlikelihood of the steamer service being available before the beginning of monsoon, it was suggested that part of the mango crop be carried by country-craft and added that the Country-craft Organisation Officer had instructed his Intelligence Officer at Vengurla to get in touch with the chief mango producers and it was hoped that the country-craft together with the Bombay Steam Navigation Company's s.s. " Chandravati " would help to relieve the situation.

In this connection, the Committee decided to address the Supply Commissioner, Government of Bombay, urging that in view of the fruit position in the City being acute, proper shipping facilities be provided for transporting mangoes. The Supply Commissioner, in his letter dated 27th April, informed the Committee that mangoes would be imported by steamer launches.

Proposal to Close Booking of Goods Traffic on Railways between Bombay and Stations beyond Viramgam.

The Board of Transport, Bombay, in their letter dated 12th January referred to the proposal to stop all booking of goods traffic on railways between Bombay and stations beyond Viramgam with a view to divert this traffic to countrycrafts which would result in a saving of 18 wagons daily.

The Committee, in their reply dated 21st January, while welcoming such a scheme for relieving the burden on railways, pointed out that more difficulties would have to be experienced by the trade, if such a proposal was made compulsory and all booking by railways, as proposed, was stopped. In their opinion, the countrycraft service was not at all organised and consequently, would not be an efficient medium of transport for all purposes. Besides, certain commodities such as chemicals, could not be sent by countrycrafts as they were liable to deteriorate. It was also not feasible to ship by countrycrafts heavy machinery for want of special facilities for loading and unloading. After all, transport by countrycrafts was seasonal and in view of this, reliance could not be placed on such a mode of transport. The question of marine insurance for goods transported by countrycrafts was also a serious difficulty unless Government took it upon themselves to cover the transport of such goods at reasonable rates. They, therefore, suggested that countrycraft service might be better organised and transport by countrycraft might be encouraged as a voluntary effort.

The Board of Transport, Bombay, by their letter dated 16th February 1942 made another proposal in the same connection whereunder it was suggested that certain types of goods traffic between Bombay and Kathiawar should be diverted to countrycrafts during the fair season, a list of which was submitted along with their letter. The Committee in their letter dated 12th March expressed their disapproval of the proposal on the following grounds :—

1. As the fair season was coming to a close, it was not necessary to consider the same at this stage.
2. As the countrycraft service was not organised, it would be inadvisable to withdraw the facilities for such traffic by rail.

8. According to the information in the hands of the Committee, the number of countrycrafts in operation now would not be sufficient to meet the requirements of the traffic. There was also no likelihood of any new crafts being built in time to meet the deficiency.

Grant of Monopoly regarding Carriage of Goods by Countrycrafts on West Coast.

The Committee sent a telegram on 2nd September 1943, to the War Transport Board, Government of India, in respect of the appointment of certain agencies as shipping agents for West Coast for purposes of carrying exclusively Government and Military cargo by countrycraft. These agents had an arrangement with the Indian Railways as well as railways of certain Indian States under which through booking arrangements for booking cargo which was particularly carried by countrycrafts was secured. The Committee objected to such monopoly being given to a limited number of agencies which had alone the privilege of booking on the railways for cargoes destined inland from the West Coast. They drew the attention of Government to the existence of a large number of countrycraft owners who were debarred from this privilege which resulted in a monopoly to the agencies above referred to. It was feared that by this action of Government many countrycraft owners would be thrown out of business as also the object of Government, viz. relieving pressure on railways, would be frustrated. The Committee maintined that this action should have been taken in consultation with commercial interests. They referred to the statement of Mr. Warren, Joint Secretary, Transport Board, to the effect that the rates for carriage of commercial cargo would be the same as the rates for carriage of Government and Military cargo and stated that it was unfair to the countrycraft owners carrying commercial cargo as the rates would be inclusive of marine and war risk charges and loading and unloading charges which would not be incurred in case of Government and Military cargo. It was suggested that the arrangement entered into with certain agencies giving monopoly for carriage of goods by countrycrafts should be terminated and that a central booking agency not interested in countrycraft trade should be set up in conjunction with the Indian Shipping Adviser and the Countrycraft Organisation Officer who should

be made responsible for distributing cargo and allocating space for all countrycrafts engaged on the West Coast. Reference was made to higher rates being allowed to the agencies above referred to for carrying food-grains during the last season by Government which had also resulted in an unfair advantage being given to these agencies over the old countrycraft owners who had also to their credit large movements of cargo by countrycrafts.

Shipments of Wool from Bombay to U.K.

The Committee were given to understand that Bombay port was being excluded for purposes of shipments of wool to U. K. and that all such consignments of wool were required to be taken over to Karachi for purposes of shipment. The Committee thereupon addressed the Government of India on 21st January drawing their attention to the fact that in normal times Bombay was a port of shipment for such commodities and it was not fair to the exporter to carry such shipments to Karachi to be shipped overseas. It was pointed out that nearly 5,000 bales of wool had accumulated in Bombay ready for shipment and if the same were required to be taken to Karachi for being shipped overseas, the exporters would be put to much expense and inconvenience. Under the circumstances, it was urged that the port of Bombay should be open for such shipments.

Diversion of Steamers Destined for Bombay to other Ports.

It will be recalled that the Committee had drawn the attention of the Government of India to the difficulties experienced by importers as a result of diversion of steamers destined for Bombay to other ports, in reply to which, Government had assured the Committee that the facilities desired would be given as soon as conditions in Bombay harbour would improve, as published in the Summary Report of the Committee for the year 1942. The above matter having been referred by the Government of India to the Bombay Port Trust, the Committee addressed on 29th December 1942, the Bombay Port Trust, regarding the above difficulty. The Bombay Port Trust, in their reply dated 3rd February, informed the Committee that the Hay Bunder was giving facilities of lighterage to almost all the ships arriving for the discharge of cargo since October,

1942. They, however, stated that if the cargo intended for Bombay was stowed in a condition which would make the discharge of the same difficult, such cargo might have to be diverted in the interest of the other cargo, which might be urgently needed at some other port. It was also added that the Port Trust had to act under the orders of the Government of India necessitated by the war.

Exports from Bombay by Sea Route.

In their communication dated the 13th March addressed to the Government of Bombay, the Committee referred to Government notification in the Finance Department dated 18th February 1943, regarding restrictions imposed on the exports of certain types of articles by sea and desired to know why such restrictions had not been placed on transport by land as it was presumed that Government desired to have a check on the outflow of supplies from the city which could flow out both by sea and land routes. The Committee feared that in the absence of any restriction on such movement by land, it might be presumed that the notification under reference was issued with a view to discouraging movement by sea route. The Committee further desired to be informed about the circumstances under which such a notification was issued.

The Central Advisory Committee for Lighthouses.

The Committee cast their votes in favour of the following gentlemen who were subsequently elected on the above Advisory Committee, as representatives of the Federation of Indian Chambers of Commerce :

Mr. G. L. Mehta,
Mr. M. A. Master,
Sir Abdul Halim Guznavi.

Free Days allowed for Storage of Cargo in the Docks.

The Bombay Port Trust addressed the Committee on 11th February 1943, proposing to reduce the free period for storage of cargo in the docks from 5 to 3 days or as an alternative, to include Sundays and holidays within the free period. This was suggested in view of congestion in the docks due to increase of imports. The Committee in their reply dated 19th February

stated that they were opposed to such curtailment of the free days as also the alternative of including Sundays and holidays within the free period, as the existing facilities of full free period of five working days during which delivery could be taken by the importers, under the rules, should be allowed in the interest of trade. Any curtailment thereof would prove a hardship to the merchants concerned.

Remission of Docks Extra Fees due to Disturbances in Bombay.

It will be recalled that the Committee had requested the Bombay Port Trust to treat the days on which riots occurred in the city as *dies non* for purposes of calculating extra docks fees for wharfage as published in the summary report of the Committee for the year 1942. The Port Trust, in their reply dated 5th March 1943, informed the Committee that four days, viz. 11th to 14th August 1942, were treated by the Port Trust as *dies non* for purposes of calculating docks extra fees on import cargo.

Landing and Storage Accommodation for Sand, Brick, etc. at Hay and Brick Bunders.

At the instance of a joint representation from merchants dealing in sand, brick, hay, clay and stones, the Committee addressed the Bombay Port Trust drawing their attention to the difficulties experienced at Hay and Brick Bunders in the matter of landing and storage accommodation, as a result of the Dock Extension scheme. The Committee pointed out that if the proposed project of a new railway siding and railway yard was carried out under the Dock Extension Scheme, the area now known as Brick Bunder would be practically closed for the above trades. It was urged, therefore, that no further extension should be undertaken in that area and due consideration should be given to the requirements for accommodation. The Committee also requested their representatives sitting on the Board of the Bombay Port Trust to take up this question.

Indian Railway Act Amending Bill.

The attention of the Committee was drawn to the introduction in the Legislative Assembly of the bill to amend the Indian Railways Act regarding compensation to sabotage

victims. In the existing provision of the law, no compensation was payable to those injured or to the dependents of those killed in any accident which was not due to any negligence on the part of the railway administration. The bill now introduced sought to provide for payment of compensation to all victims of the railway accidents, whether due to negligence or not. The liability of the railways, however, was limited to a maximum of Rs. 7,000 per person.

The Committee in their communication dated 20th January 1943, addressed to the Government of India, welcomed the inclusion of sabotage victims for purposes of compensation. They, however, drew the attention of Government to taking away of the right of passengers under the existing law to claim relief from railway authorities for more than Rs. 7,000 according as the Court might decide having regard to the nature of accident, nature of the injury sustained and the status of the person concerned. The Committee urged that the bill while giving relief to sabotage victims should not take away the existing right of the travelling public to claim more compensation than the limit prescribed under the new bill. The bill provided that the relief in question would not be available in respect of persons travelling without proper passes or tickets. This, the Committee considered an impractical provision, as it would not be possible to find a regular pass or ticket among the belongings of a victim. They therefore suggested that the provision should be deleted.

Advisory Panel regarding Movement of Gunnies and other Jute Goods.

In a communication dated 15th January the Board of Transport, Bombay, informed the Committee that it was necessary to control movement of gunnies and other jute goods from Calcutta to Bombay side with the help of an Advisory Panel. They therefore requested the Committee to nominate their representative on the said Panel. The functions of the Panel would be to advise the Regional Controller of Railway Priorities, Bombay, for allotment of wagons for movement of the above commodities according to the requirements of the trade. Accordingly, the Committee by their letter dated 20th January, nominated Mr. Haridas Madhavdas, President, as their representative on the Advisory Panel.

Cotton Movements Panel.

The Committee of the Chamber received a letter from the Deputy Executive Officer, Cotton Movements Panel, in which the views concerning the question of closing B. B. & C. I. Railway Stations beyond Surat for the booking of cotton to Bombay in order to divert this traffic by sea were discussed. It was observed in the letter under reference that the Port of Broach was open for loading for only 6 days before and 2 to 3 days after the new moon and for similar periods at full moon. Although special railway rates to Bombay from Broach and Surat districts had been cancelled, booking by rail route should remain open; trade, however, should be urged to ship as much cotton as possible by country-craft. It was mentioned that Sir Purshotamdas Thakurdas had assured the Panel of the co-operation of the commercial community in this regard.

Acceptance of Rope-Bound Bales.

In their letter dated 4th December 1942, addressed to the Railway Board, the Committee drew attention to the scarcity of baling hoops which are used for baling of cotton, and urged the Railway Board to accept rope-bound bales of cotton at rates meant for hoop-bound cotton bales. The Railway Board in their reply dated 17th February accepted the suggestion of the Committee as a temporary measure.

Theft of Iron Hoops from Cotton Bales during Transit.

On 21st January the Committee addressed the G. I. P. Railway, B. B. & C. I. Railway and the Bombay Port Trust Railway drawing their attenton to the removal of iron hoops from cotton bales during transit. They were given to understand that cotton bales, when reaching their destination, were found pilfered of some of the iron hoops with which they were bound. In view of the great scarcity of such baling hoops and the consequent incentive to such thefts, the Committee requested the railways and the Port Trust to increase the watch and ward arrangements with a view to preventing the mischief of this character.

The Bombay Port Trust Railway and the B. B. & C. I. Railway, in reply, assured the Committee that such pilferage would be stopped, as the result of watch and ward arrangements instituted by them, in this connection.

Packing conditions for Press-Packed Piecegoods.

In their letter dated 28th December 1942, the G. I. P. Railway proposed to change the definition regarding press-packed piecegoods with iron hoops to allow rope bound bales to have the advantage of the lower classification whereby rope-bound bales would be treated as press-packed and allowed the rate at which iron bound bales were classified. The Committee in their reply dated 3rd February stated that they had no objection to the proposed change in the packing conditions of piecegoods, press-packed.

Restriction on Transport of Tea Packages by Rail to Mofussil Centres.

The Committee in their communication dated 26th July addressed to the B. B. & C. I. Railway drew attention to the hardship encountered on account of the ban on booking within an area of 40 miles by small towns and villages. It was stated that tea was being supplied throughout the whole of the Bombay Presidency as well as Indian States like the Baroda State, Kathiawar State, Kolhapur, Sangli, etc. direct from Calcutta. Such goods were stored in the principal towns and were subsequently distributed to smaller towns and villages from such places. The ban on booking within an area of 40 miles made such distribution to small towns and villages difficult, as during the monsoon, even the bullock carts were not able to move such goods to nearby destinations. It was, therefore, urged that the ban referred to above should be lifted with a view to provide supplies of tea to small towns and villages.

Ban on Export of Tea by Rail, Road or Sea from the Bombay Province.

In their communication dated the 13th August 1943, addressed to the Director of Civil Supplies, Bombay, the Committee referred to the correspondence between the Director and the Government of India in the above matter and also drew his attention to the subsequent modification in the Order giving permission to export tea to Messrs. Lipton, Ltd., and Messrs. Brook Bond Ltd., within the province of Bombay. The Committee objected to the policy of granting permission to export tea only to non-Indian concerns, thus eliminating the Indian merchants who were engaged in this trade for a long time.

They also desired to know what were the reasons that prompted Government to give this monopoly to non-Indian firms. They referred to the present stocks of tea in the city and the low prices obtaining for the same and requested Government to issue licences to export tea freely within the province of Bombay.

Government in their reply dated 25th August, informed the Committee that the two non-Indian firms were permitted to distribute tea in the province as they had at their command organisations in particular centres like Viramgam, Manmad and Indian States from where distribution of tea could be carried out efficiently. They assured the Committee that there was no question of discrimination against Indian traders who would also be given permits provided economical transport of tea for distribution purposes was possible.

Delay in the Issue of Permits for Transhipment of Tea by Rail.

In their letter dated 23rd December addressed to the Government of Bombay the Committee requested that the Clearing Agents should be given permits without delay for transhipment by rail of tea to destinations in the Bombay Presidency, Baroda, etc. in respect of tea chests arriving from Calcutta by sea to Bombay.

Restriction on Booking of Tea from Anand.

In their communication dated 23rd December 1943 the Committee requested the Board of Transport to include Anand in the list of centres authorised to book tea for destinations in the district as a large stock of tea had collected at Anand which was meant for supply to the surrounding district.

Restriction on Transport of Empty Oil Drums.

In their communication dated 23rd December 1943 the Committee requested the Transport Board to allow facilities for the transport of empty drums of oil back to places in the Madras Presidency and the Nizam's Territory, from where oil was being brought to Bombay.

Over-crowding in Mail and Through Trains over the B. B. & C. I. Rly.

In their communication dated 8th May, the Committee drew the attention of the Railway Board to the terrible over-crowding in the trains since sometime past as a result of cancellation of some of the most important trains which connected Kathiawar. It was emphasised that a large section of the business community in Bombay hailed from Gujarat and Kathiawar who were responsible for some of the most important trades in the metropolis. Naturally enough, therefore, the passenger traffic between Gujarat, Kathiawar and Bombay was considerable. It was feared that if such harassment of over-crowding continued, trade and industries were likely to suffer and would reduce the income of the Railway to that extent. The Committee realised that the pre-war position with regard to the running of the trains could not be expected under the present circumstances. But, they were of opinion that at least the Kathiawar Express (both outward and inward) which started from Bombay in the morning should resume running if the terrible hardships of the travelling public were to be given some relief. The Committee also addressed, in this connection, the B. B. & C. I. Railway Authorities and urged that their suggestion, as above, deserved consideration.

The Railway Board in their reply dated 20th May regretted that the suggestion for resuming the Kathiawar Express was not possible owing to the exigencies of the military situation, the necessity for the movement of food-stuffs and the coal situation. They also requested the Committee to co-operate in dissuading the travelling public from undertaking any journeys which were not essential.

The Committee in a further communication dated 8rd June addressed to the Railway Board regretted that the Board could not see even their way to grant the modest request of allowing one more train, i.e., the Kathiawar Express, to resume running to relieve the horrible conditions of overcrowding. It was pointed out that if their suggestion was carried out, the over-crowding in the night trains which was particularly objectionable would be eased in some measure. With regard to the request of the Board that the Chamber should co-operate in dissuading the public from any but the most essential travel, the

Committee drew attention to the continued propaganda by Government, Public Institutions and the Press in this regard, stating that there was no lack of such persuasion on the part of the bodies concerned. They were of opinion that the overcrowding itself was a sufficient check to the travelling public against taking any but the most essential journeys. Besides, the proverbial poverty of the country would not allow the travelling public to make avoidable journeys, unless it was necessitated by social or economic circumstances. The Committee referred to certain sections of Government services and other travelling public whose duty it was also to co-operate in avoiding unnecessary travel.

The Railway Board in their reply dated 15th June expressed their inability to modify their previous decision communicated to the Committee owing to the prevailing coal position.

The Railway Board in their letter dated 7th July, 1943, drew the attention of the Committee to the appeal made to all Provincial Governments to discourage all but the most essential travel on the part of defence services located in the province as also on the part of Government servants on leave or holidays. The Railway Board requested the Committee to issue a similar appeal to the members of the Chamber to undertake only the most essential journeys, with a view to provide relief from congestion on the Railways. The Committee in their reply dated 30th July appreciated the efforts of the Board to restrict travel by the Defence Forces as also the Civil Servants. They, however, pointed out for the serious attention of the Board that the existing facilities of travel to the Civil population under the restricted train services were extremely meagre, resulting in terrible congestion of passenger traffic. Under such circumstances, it must be admitted that there could be no overzealousness on the part of the public to undertake journeys under such appalling conditions. The Committee were of opinion that the congestion in the trains was due to the excessive curtailment of passenger services and not due to any unnecessary travelling. The Committee, on the contrary, suggested that Government should examine closely the question of official travel particularly by the military department and should find out whether such movements were extremely necessary or whether any restrictions on the present rate of such

movements was possible. In the absence of any non-official element in Government transport organisations, it was difficult for the public concerned to know whether all the travel undertaken by the officialdom was especially for war purposes or whether a part of such movement could be allowed for civil population. The Committee were prepared to co-operate on the question of transport difficulties; but they, at the same time, desired Government to understand the hardship of the public and relieve them in a substantial measure.

Transport of Rape Seed, Cumin Seed, Etc.

In their communication dated 17th December addressed to the Board of Transport the Committee recommended that transport facilities by rail should be provided in respect of booking of rape seed and cumin seed, etc. for destinations such as Madras, and stations in the South for which no sea route was available.

Absence of Proper Water Supply and Fire Extinguishing Appliances at Malkapur.

The attention of the Committee was drawn to the inadequate and unsatisfactory provision in respect of water supply and fire extinguishing appliances at Malkapur Station. It was pointed out to the Committee that cotton bales lying on the platform meant for transportation were likely to catch fire on account of sparks emitting from the engines. The Committee, thereupon, addressed a letter on 29th April 1943, to the Chief Traffic Manager, G. I. P. Railway, pointing out the deficiencies mentioned above and requested them to look into the matter and take early steps to remedy the situation. The Railway in their reply dated 6-5-1943 informed the Committee that the construction of a separate cotton loading platform at another site was under consideration and that the Station had enough fire appliances then. The Committee further addressed the Railway on 28th September drawing their attention to the approach of the cotton season and requested that a separate platform should be constructed at an early date at Malkapur station with a view to avoid damage to cotton bales from sparks coming from engines passing by.

Transport of Stone between Than and Sant Road Stations.

In a letter dated 1st March addressed to the B. B. & C. I. Railway, the Committee drew attention to the restriction placed on the movement of stone wagons between Than and Sant Road Stations and stated that as a result of this restriction, Messrs. Gor and Company, Bombay, were not allowed to book their requirements of sand lumps between Than and Sant Road Stations as such were treated as stone materials. These sand lumps were required in the process of glass manufacture and hence they constituted not only a civil requirement but also a war requirement. It was urged that the matter should be looked into by the railway. The railway in their reply dated 5th March suggested that the firm in question should obtain their supplies of sand-stone from the nearest broad-gauge railway station where the commodity was available.

Preferential Treatment Re : Booking of certain Chemicals by the Railways.

In their lettter dated 10th March 1943 addressed to the Chief Traffic Manager, G. I. P. Railway, the Committee referred to a complaint received from a firm dealing in chemicals to the effect that only the Imperial Chemical Industries, Ltd., were allowed to book consignments of Soda Ash and Bicarbonate of Soda by rail to any station on or via M. S. M. and S. I. Railways to the exclusion of other merchants. The Committee pointed out that such a restriction on bookings was highly discriminatory and should be forthwith removed. The G. I. P. Railway in their reply dated 17th March 1943 informed the Committee that the aggrieved party might approach the Regional Controller of Railway Priorities in whose hands the matter rested.

Supply of Wagons for Transport of Straw-Boards from Meerut.

In a letter addressed on the 15th April to the Chief Traffic Manager, B. B. & C. I. Railway, Bombay, the Committee drew the attention of the authorities to the inadequacy of stocks of straw-boards, as a result of which, a number of manufacturers were put to inconvenience. It was pointed out to the authorities that on enquiry, it was found that the N. W. Railway

would consider the allotment of wagons to carry straw-boards from Meerut to Bombay, provided the B. B. & C. I. Railway agreed to the same. The Transport Board in their reply dated 29th April stated that Merchants & Manufacturers at the other end were requested to furnish particulars of the essential work for which straw-boards were supplied to different concerns in the City. The Board further added that priority could not be arranged by them till information regarding their necessity and urgency was made available to them.

Wagons for Transport of Oil Cakes to Diksal Station.

It was represented by a member-firm that purchases made by them of oil cakes in Karanja and Berhampore were not allowed by the railway to be taken to Diksal on the plea that such supplies should have been drawn from neighbouring markets and if that was not possible, they should have been taken from Bombay. The Committee, thereupon, in their letter dated 6th May, addressed to the Board of Transport, stated that while they realised that such supplies should be marketed from the nearby stations to avoid longer traffic, the above case deserved to be looked into by Government as a special case, as the supplies had already been bought from particular stations and that such contracts made had to be fulfilled by the party concerned. It was, therefore, urged that the request of the party should be taken into consideration. The Board of Transport in their reply dated 8th June requested that the firm should secure a permit for transport of oil cakes from the Government of C. P. and then apply to the Board in Bombay for the necessary facilities.

Restriction on Booking of Tobacco.

The Committee in their communication dated 8th July addressed to the G. I. P. Railway requested that restrictions placed on the transport of tobacco on the G. I. P. was causing great hardship to tobacco merchants from Anand on the one hand and such tobacco merchants from C. P. and Berar on the other hand, resulting in the accumulation of the commodity in Anand and shortage of the same in C. P. and Berar where tobacco was greatly in demand. It was urged that such restrictions, if removed, would provide relief to tobacco merchants.

Restriction on the Booking of Consignments of Dates and Dry Fruits to Madras, Allahabad and Cawnpore.

In their communication dated 13th August addressed to the G. I. P. Railway the Committee referred to the restrictions placed by the railway on the transport of dates, dry fruits, etc., to Madras, Allahabad and Cawnpore from Bombay and requested that the transport restrictions should be removed in view of the perishable nature of the commodities which were accumulating in Bombay godowns. The G. I. P. Railway in their reply dated the 18th August informed the Committee that there was little likelihood of wagons being made available for this traffic as the commodities came under No. 8 on the priority list. They, however, suggested that such booking should be arranged on the recommendations of the Regional Controllers of Railway Priorities in Madras and Cawnpore.

Transport Arrangements for Linseed and Groundnuts.

In their communication dated 20th August addressed to the Transport Board, the Committee referred to the monopoly being given to a few exporters from upcountry centres in case of linseed which had resulted in prices of linseed being reduced thus hitting the cultivators. It was also stated that the transport arrangements based on zonal system had affected the arrivals of linseed into Bombay.

With regard to the position of groundnuts, the Committee complained that only millers and crushers were being given priority certificates for bringing groundnuts from upcountry centres thus cutting down free competition in trade and the prices being dictated by the parties securing such priority. The position of the trade in groundnuts had also been affected by the Government order freezing stocks of groundnuts amounting to more than 50,000 bags. The Committee feared that if the import of groundnut was not allowed freely into the City, the prices of oilcakes were likely to go up. They also desired that the prices charged by millers for oil and oilcakes should be reduced as the system now obtaining for import of the commodity was almost monopolised by the millers and crushers, who should not be allowed to racketeer. It was urged that the frozen stock should be released and the zonal system should permit the commodity for free imports into the city. The Board

of Transport in their reply dated 28th August informed the Committee that it would be unwise under the present restricted transport facilities to allow free import into Bombay as the same might result in the hoarding of stocks for purposes of speculation. They also stated that such free import might result in the crushers not securing their immediate requirements. The Board in justification of their view point, stated that at the beginning of this year, in spite of large imports by dealers under the general priority, the prices of groundnuts continued to rise and the crushers were not able to obtain groundnuts at reasonable prices. The Board was of opinion that the present price of groundnuts could still bear reduction. The Committee replied on 22nd October the Board of Transport informing them that they had jointly interviewed the representatives of the seeds trade and oil crushing industry regarding the movement of groundnuts. As a result of such consultation they requested the Transport Board that the requirements of wagons for crushing industry should be met in full and that the seeds trade should also be provided with transport facilities so that the requirements of seeds trade would be met. They also urged that the seeds trade should be given representation on the Groundnuts Movement Panel. The Board in their reply dated 4th November informed the Committee that the Panel was primarily constituted to ensure regular supplies of groundnut seeds to millers in Bombay and since the supplies to millers were hardly sufficient to meet their demands, no representations to seeds trade on the Panel could be given at present. The Committee in this connection addressed the Government of Bombay on 20th November referring to the previous correspondence they had with the Transport Board regarding the urgency of the representation of the trade on the Groundnuts Movement Panel and also regarding the necessity of making available wagons for bringing edible seeds to Bombay. They stressed the fact that groundnuts had a food value and that a large number of the public used the nuts as foodstuffs, the supplies of which were found to be inadequate owing to the non-supply of wagons to the trade. They also informed Government that if considerable quantities of groundnuts could be exported outside India which was not justified in view of the food position in the country, arrangements should certainly be made to supply the requirements of edible oilseeds to Bombay. A suggestion was made

that the Government of Bombay should take up the question of prohibiting export of groundnuts from other ports with the Government of India, the exports of which from Bombay were already prohibited.

Restriction on Despatch of Soap to U.P.

In their communication dated 7th October addressed to the Regional Controller of Railway Priorities, Bombay, the Committee referred to the difficulties experienced by merchants as a result of the refusal of booking from Bombay to stations on the B. B. & C. I. and G. I. P. Railways with regard to despatch of soaps and desired to know whether such booking was fixed on the basis of zonal arrangements. It was urged that if the facilities for despatch of soaps from Bombay to stations on the two railways were not granted merchants would be losing their business. The Government of India in the Department of War Transport, in their reply dated 18th October informed the Committee that there was no ban on the movement of soap from Bombay to stations on the B. B. & C. I. and G. I. P. Railways except to those stations which were situated in the U. P. as such stations could obtain their supplies from nearer sources.

Despatch of Paper by the Railways.

It was represented to the Committee by Messrs. Mahomedali Hebatbhoy & Co., that they were not being given permit for despatch of paper from Bombay on the B. B. & C. I. Railway stations in spite of the fact that they were the authorised dealers appointed by the Paper Control and Distribution Association and the Indian Paper Sales Association for the Titaghur Paper Mills, Ltd. The Transport Board in their reply dated 25th October informed the Committee that a general priority for the transport of paper required by the firm could not be granted. They however, stated that the scheme for the direct despatch of paper from the paper mills to the districts was under consideration.

Movement of Cotton from Sind.

In their communication dated 26th October addressed to the Executive Officer, Cotton Movement Panel, Bombay, the Committee referred to certain proposals for diverting a part of

the traffic by countrycrafts in connection with the movement of Sind cotton. It was suggested that cotton should first be sent from Sind and stations round about Karachi by rail to Karachi and thence by countrycrafts to Bedi to be railed again from there to stations of final destination. The Committee protested that such proposals would greatly interfere with the working of the mills and industries using cotton in Gujerat, and requested for full transport facilities for moving cotton from Sind by rail to stations in Gujerat. The officer in his reply dated 29th October stated that cotton for stations on the B. B. & C. I. Railway would move by sea from Karachi to the most convenient ports south of Baroda, e.g. Broach, Surat, etc., and then would be sent onward by rail to destinations in Gujerat.

Closing of Goods Booking from Wadi Bunder to Royapuram.

In a communication dated 28th April, 1943, addressed to the Chief Traffic Manager, G. I. P. Railway, the Committee drew attention to the difficulties experienced by merchants on account of the closing of all booking from Wadi Bunder to Royapuram. It was stated in the letter under reference that 6,000 bags of Cumin Seeds purchased before the restrictions were imposed were lying in Bombay for despatch. The acute shortage of godowns was an additional difficulty to the merchants. They, therefore, requested the authorities to re-open booking and arrange for the necessary facilities being granted for transport of Cumin Seeds.

Railway Classification of Guwar.

At the instance of the Grain Merchants' Association, the Committee addressed the B. B. & C. I. and the G. I. P. Railways requesting for exemption from the surcharge on guwar and urged that the same should be classified under grains and pulses and not under seeds common as thereby guwar would be obtainable at a cheaper rate for purposes of cattle food. The B. B. & C. I. and G. I. P. Railways in their replies drew attention to the views submitted by the Grain Merchants' Association in the year 1937 which did not raise any objection to guwar being placed under seeds common. They therefore saw no reason to exempt the commodity from this head. The G. I. P. Railway suggested further that the Chamber should urge the Government of India for such exemption if the same was found

necessary. The Committee thereupon addressed the Railway Board requesting for exemption and placing guwar under the head grains and pulses as the same was being used mainly as fodder which was in these days of scarcity needed as cattle food. It was added that in case the railway classification of guwar was reduced the " Grow-more-food " campaign would be helped to that extent.

Tariff Rates for Booking of Cheese on Railways.

At the request of Messrs. Polson, Ltd., the Committee on 7th October addressed the B. B. & C. I. Railway with a request that the cheese manufactured in India be classified under perishable articles for purposes of railway freight and thus allow such goods to be carried at reduced rates by passenger trains.

Trunk Telephone Call Difficulties.

At the instance of a member-firm the Committee addressed the Director-General of Posts and Telegraphs on 2nd June, 1943, complaining against the behaviour of the staff of the Department in connection with the Trunk Call the member-firm had with Calcutta. The complaint was that the Trunk call connection was cut off in the midst of the conversation and was not resumed in spite of repeated requests to do so. It was urged that such complaints from the public were on the increase and that they should be looked into by the department. The Director-General in reply dated 22nd September informed the Committee that orders had been issued for the refund of the full amount of the call in question to the subscriber as a special case.

Trunk Telephone Accounts.

On 6th July 1943 the Committee had occasion to draw the attention of the Director-General of Posts and Telegraphs to the trunk line not being given to a subscriber on the plea that his previous account had not been settled although the subscriber had paid his bills up-to-date. The Committee had suggested that the system of keeping trunk telephone accounts was much in defect and revision should be taken in hand of the system that was causing great inconvenience to subscribers.

The Director-General in his reply dated the 15th September informed the Committee that the Trunk Billing work had now been transferred from Delhi to Bombay and the irregularities regarding billing of accounts would not occur in future.

Maximum Weight of Inland Postal Parcels.

In their communication dated 16th December addressed to the Government of India the Committee referred to a recent communique issued by the Postal authorities reducing the maximum limit of weight permitted for inland parcels from 1,000 tolas to 160 tolas, and suggested that the maximum should at least be fixed at 440 tolas for inland parcels.

The Empire Air Conference.

In their telegram dated 13th October 1943 addressed to the Government of India the Committee expressed their disappointment at the non-inclusion of non-official Indian representatives at the Empire Air Conference which was recently held in London. The presence of the Indian High Commissioner and the Technical Expert at the Conference could not, in the opinion of the Committee, justify the non-inclusion of the non-official Indians. Even if the other Dominions were represented at the Conference by the officials concerned, India at least should have been represented by a non-official Indian having regard to the peculiar constitutional position of the country. Government in their reply dated 16th October informed the Committee that the personnel of the Conference consisted of only the official representatives from the U.K. and the Dominions. They were also informed that the conversations were informal and exploratory and that the conclusions reached were subject to confirmation by the Governments represented at the Conference. The Committee in their reply dated 2nd November 1943 reiterated their plea that India should have been represented at the Conference by a non-official Indian as any official representative present at the Conference would not enjoy the confidence of the country as such. Regarding the conversations being informal and exploratory the Committee referred to the speech of Lord Beverbrook in the House of Lords where he was reported to have told the House that the conclusions reached at the Conference were unanimous and that they would now go forward

with their talks with America on the subject. It was therefore urged that Government should not commit Indian interests to any final conclusions before consulting Indian public opinion through the Indian Legislature.

Congestion in Trams and Buses—Staggering of Business Hours.

The Government of Bombay along with their letter dated the 4th August 1943 forwarded to the Committee a representation by the B. E. S. T. Co., Ltd., urging the staggering of business hours in view of the congestion in trams and buses especially at peak hours in the day and desired to have their views on the proposal. Realising the difficulties of various trades in respect of the proposal of staggering business hours, the Committee informed Government that they would formulate their views after a final scheme was submitted by the B. E. S. T. Co. They however, recommended that the Government of Bombay should recommend to the Government of India to release some vehicles under the "Lease-Lend" for the use of the company with a view to ease the situation. In this connection a conference was held by the Commissioner of Police, Bombay, to obtain the views of the various organisations concerned, in which a representative of the Chamber participated. The Committee after reviewing the scheme came to the conclusion that the proposals in this regard were not practicable.

Representative of the Chamber on the Provincial Transport Authority, Bombay.

The Committee re-appointed Mr. J. C. Setalvad as the Chamber's representative on the Provincial Transport Authority, Bombay, for a fresh term of three years commencing from 1st April 1943.

Election of the Chamber's Representative on the Board of Communications.

The Committee re-elected Mr. Keshavprasad C. Desai as the representative of the Chamber on the Board of Communications for a fresh term of two years.

Election of the Chamber's Representative on the Traffic Advisory Committee.

The Hon. Mr. M. N. Dalal was elected as the representative of the Chamber on the Traffic Advisory Committee, Bombay, for a fresh term of two years.

II. FINANCE, TARIFF AND TAXATION.

Budget of the Government of India for the Year 1943-44.

On 3rd March 1943, the Committee in a telegram addressed to the Government of India submitted their views on the Central Government Budget for the year 1943-44, a brief summary of which is as under:—

Military expenditure of Rs. 189.79 crores for 1942-43 and Rs. 182.81 crores for 1943-44 over and above a capital outlay of Rs. 49 and 17 crores, respectively, was considered as an excessive burden for a poor country like India, having regard to the fact that the basic defence expenditure in the past amounted to a sum of Rs. 36.77 crores only. The system of separating capital heads from revenue in regard to military expenditure for accounting purposes led to a concealment of a part of the expenditure. If this was not separated, the actual defence expenditure for 1942-43 would be 238.89 crores and nearly 200 crores for 1943-44. Reference was made with regard to the Indo-British financial settlement touching the allocation of the expenses of the defence services and it was suggested in the interests of a poor country like India that Great Britain and U.S.A. should be called upon to bear the major financial burden of the war in regard to which India was now unjustifiably asked to bear joint defence measures. Objection was also taken to sending Indian troops abroad and substituting in their place British and American troops whose cost of upkeep and maintenance was many times more than those of the Indian troops. As India had no voice or control in the organisation of the defence services, a ceiling should be put to India's defence expenditure at a maximum of Rs. 73.61 crores, the amount which had been spent in 1940-41. It was also stated that in the absence of a Ministry responsible to the Legislature, scrutiny of allocation by audit authorities and by Public Accounts Committee could only be a formal audit in which the public had little confidence. The Committee objected to Lease-Lend and reciprocal aid arrangements about which the country knew very little. It was suggested that such materials as were sent by America to India for war purposes should not be included

as a charge on India as the U.S.A. had a front in India to meet the Japanese menace. The Committee expressed surprise at the suggestion of the Finance Member to have a Reconstruction Fund in London for the purchase of machinery and other capital goods which would place large sterling accumulations in the hands of the British capitalists to the detriment of Indian interests. Provision for sterling remittances to meet future payments, viz., family funds, pensions, etc., would not be acceptable to the country. Objection was also taken to the levy of Excise Duty on tobacco and Vanaspati as these two articles constituted the bare necessities for the poor people especially Vanaspati which was now being largely made use of in the absence of ghee, the purchase of which was beyond the reach of the poor. Increase in surcharges on Income-tax and Super-tax and in the Corporation Tax was likely to have a deleterious effect on the middle and the upper-middle classes and also on those who had fixed incomes.

Post-War International Currency Plans.

In reply to a letter from the Government of India dated 31st July 1943, enclosing copies of the British Clearing Union Plan, the American stabilisation Fund Scheme and the Canadian Experts' Proposals on International Exchange Union, the Committee communicated their views on currency plans on 10th November 1943, wherein they referred to the memorandum submitted to Government by the Federation of Indian Chambers of Commerce and Industry in the same connection and stated that they were in entire agreement with the views expressed therein.

The proposals outlined in the three plans mentioned above related primarily to the stabilisation of the mechanism of currency and exchange that should be brought into force at the end of the war with a view to regulate the activities of the various nations with regard to production, trade, finance, etc. In brief the proposals were mooted to bring into the international structure the whole financial and productive activity of nations. A brief summary of the memorandum submitted by the Federation was as under :—

At the outset the Federation maintained that they were not in a position to comment upon the various proposals in the

absence of any definite directive in respect of India's status and position in the framework of international adjustments of trade, finance and industry as outlined in the various plans. Besides, they had no statistics before them in regard to the obligations of the U.K. and other allied countries to the U.S.A. under the Lease-Lend arrangements. No Lease-Lend figures had been yet supplied by the Government of India for goods received in this country. The position regarding the reverse Lease-Lend so far as India was concerned was in a nebulous stage. The rupee had also not found a definite place in the international field. So long as non-official Indian representation was not obtained on any Committee that might be charged with the carrying out of such plans, it was not possible for the Federation to formulate their views in the matter, as the Government experts now dealing with the question were not acceptable in the interests of the country. India could not be a party to such a scheme so long as it was not definitely made certain that India would get any benefit for herself by such participation as under the present circumstances the economy of India demanded full freedom to follow the monetary, fiscal and trade, etc., policies which would be demonstrably in the interests of India. The Federation referred to the accumulation of sterling balances in London and demanded that if India was to participate in such a scheme gold guarantee against such balances should be given by the debtor country.

Interview with Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue and Mr. C. W. Ayers, C.I.E., Excess Profits Tax Adviser to the Board.

The Committee had an interview with Sir John F. Sheehy, C.S.I., I.C.S., and Mr. C. W. Ayers, C.I.E., on 19th August 1943 when discussion took place on the following points :—

(1) Section 10(2)—(*a*) Allowance of expenses incurred for registration of Trade Marks. (*b*) Allowance of expenses incurred for professional services of experts and lawyers re : income-tax and E. P. T. matters. (*c*) Losses due to theft, embezzlement or negligence by employees. (2) Section 10(7)—(*a*) Administrative control re : assessment of Life Assurance Companies. (*b*) Taxation of additional reserves maintained by General Insurance Companies. (3) Section 23A—(*a*) Amendment of the provision re : compulsory distribution of 60% of assessable income, (*b*)

Distribution of 60% and compulsory deposit under the E. P. T. Ordinance. (4) Section 24(2).—Set-off losses—Interpretation of the term " Same business." (5) Section 7—Deficiency relief—set-off against share in another partnership or trade. (6) Section 26—allowance under Sec. 26(3) for plant, machinery, etc., not required by the business after the war, and for buildings and extensions for war work. (7) Schedule I—Rule 11—power to spread expenses. (8) Schedule II—computation of capital—(*a*) Deposits under E. P. T. Ordinance and under Section 10 of the Finance Act should be treated as capital. (*b*) Rule 3—moneys not required—allowance of cash required for meeting tax liability. (9) Publication of the decisions of the Income-tax Appellate Tribunal. (10) Appellate machinery to be completely under the control of the Legal Department. (11) Delays in disposing of assessments, revision applications, reference Court, etc. . (*a*) India-Burma Income-tax Relief Order—Relief to the same assessees who are at one end assessed as registered firms and at the other as unregistered firms. (*b*) Burma Registered Companies and liability to tax on payments received in India relating to periods before evacuation. (12) Section 23A of the Income-tax Act.

3½% Indian Sterling Stock, 1931.

At the instance of a member-firm the Committee on 10th March 1943 addressed the Government of India with regard to the difficulty experienced by holders of 3½% Indian Sterling Stock, 1931, who had sent their Securities to the Bank of England through the Reserve Bank of India for redemption and recovery of payment. Complaint was made to the Committee in this regard that such holders had surrendered their Bonds in the manner prescribed as early as 1st week of October 1942, and had not received payment thereof, as a result of which they were deprived of the interest due on such sum involved. The Committee suggested that at least with regard to Bearer Bonds the Reserve Bank should have been authorised to make payments on the due date, i.e., 5th January 1943. The Government of India in their reply dated 26th March 1943, stated that as such stock was " redeemed " after giving the prescribed notice, and not repatriated, it was necessary for the holders of the stock to send their documents to London for presentation to the Bank of England. As the Reserve Bank was only a transmitting

agent of such stocks, the Bank could not be held responsible for compensation for loss of interest. The Committee were informed that the securities delivered to the Reserve Bank upto 23rd December 1942, had been received and acknowledged by the Bank of England. A few securities were delivered after that date and no delay was anticipated in the payment thereof.

Decisions of the Income-tax Appellate Tribunal.

In their communication dated 23rd March 1943, addressed to the Central Board of Revenue, a reference was made to the earlier suggestions of the Committee relating to arrangements for the publication of the decisions of the Tribunal, in reply to which Government had informed the Committee that the suggestion of the Committee would be considered at a later stage. The Committee made a further request in this connection suggesting that arrangements should be made for publishing the decisions of the Tribunal on points of law for the information and benefit of the general public.

Government in their letter, dated 16th November, replied that such decisions could not be published as the Tribunal was not a Court of Record and was not bound by its previous decisions.

Amounts Due as Income-tax in Insolvency and Liquidation Proceedings.

In liquidation and insolvency proceedings the production of an assessment order was deemed sufficient proof for the tax debt and it was not considered necessary that the same should be formally proved before the liquidator. However, in the judgment of the Lahore High Court, in the case of the Governor-General-in-Council *vs.* Sarghoda Trading Co., it was held that any such assessment order would only be deemed as *prima facie* evidence of tax due from the assessee, but that the liquidator was entitled to call upon the Income-tax authorities to formally prove the debt.

In this connection, the Committee addressed the Central Board of Revenue on 1st December, drawing attention that in view of the Lahore High Court Judgment, the Income-tax Department should not seek to secure any preferential treatment for tax debts in liquidation and insolvency proceedings, as

otherwise the chances of other creditors getting proportionate relief in distribution would be prejudiced. The Committee urged that instructions in this regard should be issued to the income-tax authorities.

Allowance under Section 10 of the Income-tax Act.

In a letter addressed to the Central Board of Revenue on 22nd April, 1943, the Committee pointed out that under the present arrangement, expenses in connection with the execution of a lease were treated as capital expenditure and were not admissible as a deduction. Renewal of a lease, it was deemed, was not different from an original lease and a similar procedure applied in this case as a whole. The Committee, in this connection, referred to the position in the United Kingdom, where relief was granted under executive instructions, by which, expenses for renewal of a lease not exceeding 50 years were allowed to be treated as a proper charge against the profits for the year concerned. The Committee requested the Central Board to consider the position of allowance under Section 10 of the Act and to issue similar instructions, as they prevailed in U. K., so that the expenditure on the above item might be allowed for income-tax purposes.

The Central Board, in their reply dated 21st June, agreed that such legal expenses would be allowed as an admissible deduction for purposes of income-tax provided the renewal of the lease was for a period of less than 50 years.

Allowance of Expenses Incurred in Connection with the Registration of Trade Marks for Income-tax Purposes.

As per the Central Board of Revenue Circular, dated 12th November 1943, with regard to the above, the cost of initial registration of new Trade Marks under Act 5 of 1940 would be treated as capital expenditure, while the cost of renewal of registration would be treated as a revenue expenditure. In the case of old trade marks also the cost of first registration would be treated as capital expenditure. The Committee in their communication addressed to the Central Board of Revenue in the above connection requested that the first registration of old trade marks should be treated as revenue expenditure.

Allowance of Expenses on Removal of Business Premises.

The Committee in their communication dated 22nd April addressed to the Central Board of Revenue suggested that expenses incurred in connection with the removal of business premises should be allowed to which the Board agreed stating that such expenditure would be allowed as in the case of A.R.P. expenditure, i.e., where the removal had taken place under the direction of Government.

Disablement Policies.

In their communication dated 19th February addressed to the Central Board of Revenue, the Committee suggested that payments made as premia for policies to cover the risk of disablement or death of employees by enemy action should be allowed as a deduction for income-tax and E. P. T. purposes.

Limit for the Submission of Annual Return of Employees under Sec. 21 of the Indian Income-tax Act—Amendment to.

By the Income-tax Department Notification No. 9 dated 12th June 1943, Section 21 of the Indian Income-tax Act was proposed to be amended whereby employees drawing an annual income of Rs. 1,200 would be liable to file returns, the previous limit for which was Rs. 1,600. The Committee in their communication dated 5th July addressed to the Central Board of Revenue made a suggestion in this connection that the limit should be raised to Rs. 1,400.

Grossing up Dividends.

In a letter addressed to the Central Board of Revenue on 22nd April, the Committee drew the attention of the Board to the injustice which assessees were put to on account of the failure of the Income-tax Department in not adhering strictly to the requirements of Section 49(*c*), in the matter of affording to shareholder, necessary benefit in respect of double Income-tax relief granted to a company. It was added that under Section 16(2) of the Act, the dividend income of an assessee was grossed up by adding thereto the amount of Income-tax payable on such income calculated at the rate applicable to the total income of the company for the year concerned. It was pointed out that Section 49(*c*) provided that relief granted to

a company was to be deemed as relief to the shareholders and as such, the assessee be given double Income-tax relief at the rate at which such relief was granted to the company or at the appropriate rate. The Committee requested the Board to examine the points mentioned above and if necessary, to issue instructions to Income-tax Officers to correct omission in all cases under Section 35 of the Act.

The Central Board in their reply dated 12th June asked the Committee to bring to the notice of the Commissioner of Income-tax such cases where relief desired for had not been granted.

Co-operative Societies—Exemption from Income-tax.

In their communication dated 23rd March 1943, addressed to the Central Board of Revenue the Committee suggested that interest income earned by any Co-operative Society from investments in the shape of debentures of Land Mortgage Banks, which were considered an essential link in the Co-operative Society, should be exempted from taxation. This suggestion was made in view of the Government notification issued under Section 60 of the Income-tax Act whereunder profits of Co-operative Societies generally were exempted from income-tax with a view to assist the growth and encouragement of co-operative movement.

The Central Board of Revenue in their letter dated 6th April 1943, informed the Committee that the interest earned by a Co-operative Bank from investments held in the shape of debentures issued by a Co-operative Land Mortgage Bank should not be said to be income earned during the normal course of business of Co-operative Society and could not, therefore, be regarded as business profits. Such income, therefore, they added, was assessable under the head ' other sources.' They referred, in this connection, to the Madras High Court decision. L. T. R. 490/1942, and expressed their inability to concede to the request of the Committee.

Relief Against Doubly Taxed Income.

In their communication dated 23rd March 1943, addressed to the Central Board of Revenue, the Committee referred to Section 151 of the U. K. Income-tax Act, 1918, whereunder

double income-tax relief was obtained on application to the Commissioner and it was pointed out that it involved a cumbersome procedure to obtain such relief under the Indian Income-tax Act. It was, therefore, urged that an amendment should be made in the Act on the lines analogous to the Act in the United Kingdom.

Double Income-tax Relief between India and Burma.

In their letter dated 19th February addressed to the Central Board of Revenue, the Committee referred to the provisions of the India and Burma Income-tax Relief Order, 1936, and stated that in contravention of the said Order, the income-tax department, in certain cases, was refusing relief from double assessment in instances where a firm had been assessed as a registered firm in British India, but as an unregistered firm in Rangoon or *viee versa* on the plea that the tax was not paid by the same person. The Committee pointed out that the refusal to give relief in such cases was based on technical grounds and the persons constituting the partnership in such cases who actually paid the tax at both the ends were the same. It was urged that relief, in such cases, should be granted, as a matter of course.

Increased Depreciation Allowance.

In their communication the Committee suggested to the Central Board of Revenue that all types of machinery should be allowed increased depreciation in view of the extra wear and tear suffered by various machinery due to increased demand for goods manufactured.

Depreciation on Producer Gas Units.

The Committee, in their communication dated 30th November, addressed to the Central Board of Revenue, suggested that as in the case of U. K. depreciation allowance at the rate of 50% should be sanctioned for producer gas units fitted in motor vehicles, as such depreciation was not covered under the Income-tax Rules. A higher rate of depreciation was suggested as the wear and tear of such units were much higher and the normal life of such units was comparatively very short.

Section 34—Provision for Relief in Over-Assessment.

Section 34 of the Indian Income-tax Act provides that the Department may proceed to assess or re-assess any income which may have been not assessed or under-assessed, within a period of four years. The Committee in this connection drew the attention of the Central Board of Revenue in their communication dated 2-12-43 to the injustice done to the assessee under the present procedure whereby the assessee was not allowed the right of demanding a re-assessment in case of over-assessment in any year. It was urged that the rules should be revised to allow the assessee also to claim re-assessment during the period allowed to Government under similar circumstances.

Section 16(3) of the Indian Income-tax Act—Income of a Wife.

Under Section 16(3) it was provided that in computing the total income of any individual for purposes of assessment there should be included so much of the income of the wife of such individual as would be her share as a member of the partnership in business with her husband. In this connection, the Committee addressed the Central Board of Revenue drawing attention to the fact that in case of loss arising from such partnership no set-off to the total income of the husband was given while in case of profit the wife's income was included. It was urged that in case of loss in such partnership the set-off should also be given.

Loss by Embezzlement or Theft.

It may be recalled that the question of the admissibility of loss due to embezzlement or theft for Income-tax purposes was discussed by the Committee at an interview which they had with the member of the Central Board of Revenue some time in July 1939. It was found from the case of Messrs. Shri Ram Mills Co., Ltd., which they had reported to the Committee, that the loss due to negligence by the employee of this concern was not taken into consideration for purposes of income-tax. The employee of the party under reference who had lost some amount was acquitted because no substantial proof could be proved against him in the Court of Law. The party had, how-

ever, suffered a loss and desired allowance while computing Income-tax on their total income. The Committee in this connection addressed the Government of India on 21st April 1943, and referred to the interview which they had with Sir J. F. Sheehy, when this question was discussed as also the particular instructions issued by the Board on 17th August, 1939. They also referred in this connection to the relevant portion of the judgment delivered by Justice Rowlatt, where it was specifically mentioned that the loss suffered owing to the negligence or dishonesty of the subordinates should be taken as expenses connected with and arising out of the trade in the most complete sense. The Committee suggested to the Board, the desirability of revising the instructions, so as to include beyond any chance of doubt, such cases for purposes of allowance and to cover negligence by employees by specific mention.

E. P. T. Ordinance, 1943 and Control of Capital Issues.

The Committee in their communication addressed to the Government of India dated 10th June, 1943, on the E. P. T. Ordinance, 1943, pointed out the error of Government in trying to meet the situation created by inflation by collecting under the force of the Ordinance an aggregate sum of Rs. 100 crores due from the public on account of the delayed assessment of E.P.T. They were of opinion that Government should have placed this question of financial adjustment before the Legislative Assembly and got their sanction for such collection. They also invited the attention of Government to the repeated warnings of commercial bodies in regard to the lacuna in the administrative machinery for assessment and collection of the revenue and pointed out that no such situation as at present existing would have arisen had there been proper and efficient control. The Committee deplored that under the ordinance the assessee public would be hard hit by the immediate call upon their resources of the aggregate collection of Rs. 100 crores. They referred to the many pending applications before the Board of Referees regarding the basis of standard profits claimed by them and stated that while making provisional assessments under the ordinance such application should be taken into consideration. It was also suggested that after the provisional assessment was made under Section 14(A), only 80% of the total amount of the provisional assessment should be recovered from the assessee

and the balance of 20% should become payable only after the final assessment was made. It was urged that the amounts of the provisional assessment might be collected by instalments in view of the assurance given by the Hon'ble the Finance Member in the Legislative Assembly when the E. P. T. Bill was being discussed. Under the Ordinance voluntary deposit was made compulsory on all assessees. This provision for a compulsory deposit would particularly act as a great hardship on individuals and firms as against the Joint Stock companies who had to pay a flat Corporation Tax at the rate of As. 2 in the rupee. This provision for compulsory deposit would also seriously affect the private limited companies as under the Indian Income-tax Act such companies were required to declare a dividend to the extent of not less than 60% of their assessable income in which the amount of the compulsory deposit would be included. They therefore suggested that such deposits in the case of individuals and firms and private limited companies should be only voluntary and that such deposits should be treated as part of the capital employed in the business.

With regard to the determining of the extent to which deductions should be allowed in respect of bonuses and commissions paid, the Committee were of opinion that Section 10(2) of the Income-tax Act gave sufficient discretion to the Income-tax authorities in the matter of allowing items under bonuses and commissions. They, therefore, urged that any further interference made in this respect would prove as a hardship to the assessees.

With regard to the provision for limiting trading stock the Committee made it clear that it was a retrograde step taken under the Ordinance which would hit hard particularly those industries which required certain amounts of stocks to be held for future contingencies. With regard to the limitation placed on stocks of raw materials the Committee had a similar objection. Not only that the industries in general would carry normal amount of raw materials necessary for production, but that certain specific industries would be required to carry more than the normal amount of stocks under war conditions for ensuring continuous working of industries.

The Committee strongly protested against the provision to control capital issues under the Defence of India Rules; thereby

it was feared that the structure of industrial finance would be disturbed and a check would be placed on the growth of capital required for the development of new industries. The Departmental Committee suggested in this connection which would scrutinise application for the issue of capital should include non-official representatives who might prove in some measure a check on the eratic application of this provision. If the object of Government was to check inflation by such a provision the Committee feared that the result would, on the contrary, be to release capital for speculation and buying purposes which would have been safely invested in some industrial or commercial undertaking. The punishment of five years' imprisonment for a breach of the rules under this provision was considered savage and arbitrary. Besides this provision would penalise the British Indian Investor or the holder of shares of companies other than those registered in British India by preventing him from acquiring at favourable prices shares issued by new companies outside British India including Indian States. This the Committee considered as tantamount to allowing expropriation of the rights of British Indian shareholders who might exercise their right to invest in fresh shares issued by old companies to their members.

E. P. T. Rules Re: Computation of Capital.

Under the existing rules and procedure in arriving at the amount of the capital employed in business in the standard period, depreciation was to be calculated on the written-down value on the basis of the old rates in force under the standard period. However, for the purpose of computation of profits during the standard period, the new revised rates under the written-down value basis were adopted. This procedure gave rise to an anomaly as it resulted in an artificial increase in the standard period's capital on the one hand and on the other an artificial decrease in the standard period's profits whereby excess of profits liable for taxation in the chargeable accounting period was shown up. In this connection, the Committee addressed the Central Board of Revenue on 2-12-43 suggesting that the revised rates of depreciation should be adopted for purposes of computation of capital during the standard period also.

Excess Profits Tax Act—Allowance of Borrowed Capital.

Under Rule 5, Schedule I of the Excess Profits Tax Act, it is provided that if at any time after the close of the Standard Period selected by an assessee an increase in the capital employed in the business had been effected by means of a loan the amount of such loan shall be allowed as capital. A strict construction of the above provision would mean that the relief would be available only to assessees who had a Standard Period, and in the case of persons or businesses assessed on the basis of a Capital Standard the benefit would not be extended. The Central Board of Revenue, however, by instructions issued had provided that the relief should be given to all new businesses which had no Standard Period. It was pointed out to the Committee that a distinction was sought to be made in the application of the above provision to newly started business and the relief was being denied to any business which had Standard Period under the Act but which had exercised the option of a Capital Standard, the latter being more advantageous. The Committee in a communication dated 29th November 1943, addressed to the Central Board of Revenue, stated that there was no justification for the above distinction and urged that borrowed capital should be treated as capital for all business, if not to the full extent, at least to the extent of the increase in the loan after close of the Standard Period.

Rule 11, Schedule I of the E. P. T. Act.

It was the practice of the Income-tax Department under Section 10(2) (vii) to spread obsolescence allowance backwards. In this connection, in a communication dated 17th November addressed by the Committee to the Central Board of Revenue it was pointed out that such a procedure would affect adversely both the chargeable accounting period and the standard period of the assessee by increasing the chargeable accounting period's profit and decreasing the standard profit. The Committee referred to the procedure in force in U. K. in similar circumstances and suggested that the depreciation amount should be allocated according to the cumulative total of depreciation allowed each year so that the chargeable accounting period would bear a due and proper proportion of the allowance.

Cochin State E. P. T. Act and Income Accruing in British India.

In a communication addressed to the Central Board of Revenue dated 19th February, the Committee referred to the amending Act of 1941, whereby, the income accruing in a native state to a resident in British India was exempted from liability to British India Excess Profits Tax. There was no provision in the Cochin State E. P. T. Act for a corresponding relief, with the result that a resident in Cochin State would be liable to both the Cochin State E. P. T. and British Indian E. P. T. in respect of income accruing in British India. The Committee urged that the Board should take up this matter with the Cochin State Government to legislate regarding the corresponding relief on lines similar to those adopted in the Indian Income-tax and E. P. T. Act as amended in 1941.

Excess Profits Tax—Set-off of Deficiencies.

The question of the application of the provisions of Section 7 of the Excess Profits Tax Act relating to set-off of deficiencies was discussed during the course of the last year. In a letter dated 22nd April, the Committee pointed out to the Central Board of Revenue that relief envisaged under the instructions under Section 7 did not extend to all types of cases covered by the corresponding instructions as obtained in the United Kingdom. They added that under the English E. P. T., relief was obtainable in cases where there was a change or a partial change in the ownership of a trade or business, as a result of a gift or under the terms of a will or from an intestacy of the business, thereby passing to the wife, husband, ancestor or lineal descendant of the previous owner. It was added, in all such cases, the revenue ignored the change in ownership completely and granted the deficiency relief contemplated under the Act. The Committee suggested to issue similar instructions here, so that such changes in favour of family members without consideration would be deemed to be a change in partnership for purposes of the relief in question.

The Central Board of Revenue in their reply dated 10th May, stated that if a specific case of difficulty was submitted to them, it would receive due attention; otherwise, no general instructions were necessary to be issued in this connection.

Tax Reserve Certificates.

In their communication dated 2nd December, addressed to the Central Board of Revenue, the Committee drew attention to a communique issued by the Central Government notifying the introduction of a system of receiving interest-bearing deposits towards payment of income-tax and Excess Profits Tax. In this connection, they referred to the Tax Reserve Certificates issued in the U. K. which were treated as capital for E. P. T. purposes and the interest earned thereon was free of income-tax, super-tax and E. P. T. and urged that similar facilities should also be given in case of such deposits received by the Central Government.

Non-acceptance of Policies of Indian Insurance Companies.

It will be recalled that, as published in the summary report of the Committee for the year ending December, 1942, the Committee had correspondence with the Exchange Banks Association, Bombay, in the matter of the ruling of the British Bankers' Association whereunder bank credits which called for insurance with British companies meant only insurance with companies whose head offices were domiciled within the U. K. The Committee had urged that the definition of British companies should include Indian Insurance Companies also as was the practice formerly. The Committee had also correspondence with the Eastern Exchange Banks Association, London, and the London Chamber of Commerce in this connection. The reply from London was that in case of credits where no stipulation was made policies from Indian Insurance companies would be accepted; at the same time London banks were requested to get the stipulations specifically made by customers as to whether insurance with U. K. and/or Dominions and/or Indian Insurance Companies would be required. The Committee in their reply dated 2nd April 1943, addressed to the Eastern Exchange Banks Association, London, stated that the clarification made in their previous communication did not carry the problem further as the main grievance was not removed. It was urged that the practice previously followed of accepting Indian policies even where insurance with British companies was specifically mentioned, should be continued without any qualification. The Eastern Exchange Banks Association in their reply dated 12th May, stated that the only way to safe-

guard the interests of Indian Insurance companies was that the Indian exporters should themselves persuade the buyers overseas to accept policies issued by Indian Insurance Companies.

Banks Acting as Trustees under Section 27(4) of the Indian Insurance Act Re: Investment of Life Assurance Funds of Foreign Insurance Companies doing Business in India.

On 13th May 1943, the Committee drew the attention of the Superintendent of Insurance, Government of India, regarding banks approved as trustees by the Central Government in respect of life funds and other liabilities to policy-holders in India held by foreign Insurance Companies. They stated in the above connection that with the exception of the Imperial Bank of India, other Banks selected were all non-Indian for the purpose of such funds being vested. The Committee suggested that all the scheduled banks in the country should be deemed liable for acting as trustees and should be recognised for the purpose.

The Superintendent of Insurance in his reply dated 31st May 1943, informed the Committee that under the above Section, the case of such banks was considered at the instance of any insurer after obtaining the bank's consent to act as a trustee. The Committee were also informed that the Central Bank Executor and Trustee Company were also approved for the purpose. It was added that for the purpose of Section 27(4), the case of such banks would be considered at the request of an insurer concerned.

Sickness Insurance.

In response to a questionnaire forwarded by the Commissioner of Labour, Bombay, on the subject of Sickness Insurance, the Committee addressed the Officer on Special Duty (Sickness Insurance, Government of India) on 9th June, giving their views, a brief summary of which is as under :—

The Committee at the outset informed Government that the present was not a suitable time for considering such measures designed to ameliorate the working conditions of the labourers, as, owing to war conditions the industry was going through abnormal times, which were no indication of a permanent basis upon which the industries could be burdened with extra costs

for providing amenities to labour. Besides, such legislation should be considered on an All-India basis and should not be proceeded with piecemeal without taking into account inter-provincial repercussions. It was emphasised that Government should be prepared to apply such measures to labour employed by both the Central and Provincial Governments as also by quasi-Government undertakings. The benefits of such a measure should also be extended to the population dependent on agriculture which was as much as 70% as otherwise the social amenities extended to industrial labour under such legislation would not be enjoyed by other kinds of labour. It was mentioned incidentally that the advanced countries like Australia, or Canada in the Empire and Japan in the Far East had not ratified the International Convention regarding sickness insurance. Under the circumstances, India would be placed at a disadvantage in competing with such countries industrially. The Committee drew the attention of Government to their enquiries on the subject made in previous years when the Chamber had doubted the practicability of compulsory contributions from labour towards the working of such a scheme. In the year 1940 also the Committee had advised Government to defer consideration of such questions after the war was over. The Committee invited the attention of Government to decisions taken by a joint Conference of the All-India Organisation of Industrial Employers and the Employers' Federation of India in 1940 which were to the effect that (i) the State, employers and labour should contribute towards the cost, (ii) legislation on All-India basis, (iii) legislation should be made applicable to all important industries and Government undertakings, and (iv) similar legislation should be concurrently enacted in all Indian States. The Committee urged that Government should take up the question of such ameliorative measures for labour after the termination of the war on the basis of the above conditions.

Income-tax on Life Assurance Business.

On 18th February, the Committee sent a telegram to the Government of India suggesting limitation of taxation on profits of Life Insurance business to the existing basic rates of Income-tax and Super-tax only, freeing them from the burden of surcharges. It was stated that in U. K., differential reduced rate had been prescribed for Life Insurance Companies on the lines

of which, relief to the Life Insurance Companies in India should be granted. Such exemption from surcharges was suggested as by successive tax burdens, financial workings of Companies would be upset.

Insurance Tariff for Rope-bound Cotton Bales.

The correspondence between the Committee and the Fire Insurance Association regarding the revision of tariff in respect of rope-bound cotton bales was the subject of reference in the Summary Report of the Committee for the year 1942. The Association in its reply dated 29th December 1942, informed the Committee that 50% extra tariff would be charged on such cotton bales in view of the special hazard involved. The Committee in their reply dated 11th January 1943, stated that in view of the density of packing remaining the same in the case of rope-bound bales as well as bales with steel hoops, there was no special risk with regard to rope-bound cotton bales; on the contrary, hoop-bound bales were found to be responsible for starting fires which danger was not apprehended in the case of rope-bound bales. They were of opinion that the extra charge of 50% on the existing tariff required to be reconsidered and that the same should not exceed 25% if the Association was not prepared to concede the Committee's request.

The Association was, however, not prepared to revise its decision in the matter.

Surcharge on Fire Insurance of Cotton Bales.

In their communication dated 18th March 1943, addressed to the Bombay Fire Insurance Association, the Committee referred to a provision made many years back regarding insurance on cotton bales stored at a distance of 10 miles away from the nearest railway station whereunder 20% surcharge on the usual rates was chargeable. The Committee pointed out that in early days when movement by road was difficult such a surcharge might be found necessary, while under the present circumstances, when road facilities had greatly improved, the surcharge then charged should be abandoned. It was, therefore, urged that this extra levy on cotton stored away at a distance of 10 miles from the nearest railway station should be removed.

The Bombay Fire Insurance Association replied that certain places were exempt from the 20 per cent surcharge. They had, in this connection, enclosed a list of places, which were exempt from this surcharge and invited the Chamber to suggest any specific places which they were prepared to consider sympathetically. Subsequently the Association included Akot and Pusad amongst the places exempted.

Insurance Premium for Cotton stored in Open Jethas covered with Temporary Structures.

In their communication dated 28th June, addressed to the Bombay Fire Insurance Association the Committee pointed out that very high rates were charged for fire insurance premium for open jethas covered by temporary structures, for protection against rain. It was contended that the risk of fire during monsoon was much less than that during any other season. The risk on covered jethas being much less than in case of open jethas, it was felt that 100% more premium was unjustifiable. The Bombay Fire Insurance Association in their reply dated 2nd July did not agree with the opinion of the Committee that the fire risk under the circumstances was much less in the monsoon season and regretted that they were not in a position to reconsider the rate of premium fixed. The Committee in their reply dated 8th July stated that even if any risk was involved in the covered jethas, double the normal rate of premium was not justified. It was urged that relief was due in case of insurance for such jethas.

The Fire Insurance Association in its reply dated 27th July, informed the Committee that the increased premium was being charged only temporarily during the period of the monsoon and that the rates would return to normal as soon as temporary structures were removed.

Cargo with Obliterated Marks.

At the instance of the Bombay Underwriters Association the Committee drew the attention of members of the Chamber by a general circular that the instances of theft, pilferage and non-delivery claims in respect of cargo exported from this country had increased on account of insufficient and inadequate marking of the cases. It was suggested in the circular that care should be taken to mark the packages properly.

Countrycraft Insurance.

At the instance of the New Zealand Insurance Co. Ltd., the Committee addressed the Government of India on 16th December suggesting that countrycrafts should not be allowed to be loaded in excess of the carrying capacity of the crafts as otherwise there was the danger of the crafts being jettisoned or lost in the sea owing to overloading. It was also suggested that Government should issue instructions to the Custom Authorities to take steps against such overloading of countrycrafts as also for securing the maintenance of such crafts in proper condition in the interest of the insurance companies issuing cover on cargoes carried by such crafts.

War Risks (Goods) Insurance.

On 11th June 1943, the Committee addressed the Government of India on the subject of War Risks (Goods) Insurance and stated that within a period of about 3 years the rate of such insurance had been increased six times, i.e., from 1/32% to 3/16%. They also invited the attention of Government to their press communique dated 26th August 1940, wherein it was mentioned that the rate would be revised every three months in the light of risk position, and referred to the reduction of such rates in U. K. from the original rates where the incidence of risk was greater than in India. It was urged that Government having built up an initial fund, should now announce a substantial reduction in the rate of premium from the next quarter.

Extension of War Risks (Factories) Insurance Scheme from 31st March 1944.

In their communication dated 24th December addressed to the Government of India the Committee referred to the Government proposal to extend to another year the War Risks (Factories) Insurance Scheme which terminated on 31st March 1944. While supporting the proposal to extend the scheme to another year, the Committee suggested that cover under the scheme might be issued for one more year upto March 1945 to all those who had paid the 8 instalments under the scheme, out of the funds now available with Government without charging any premium for the extended cover. The above suggestion

was made in view of the fact that a large sum of nearly 16 crores of Rupees would be left at the disposal of Government under the scheme as also no exceptional demands were likely to arise as a result of the improved war situation.

Difficulties under the War Risk Insurance Scheme

In their communication dated 2nd October, addressed to the Government of India the Committee drew attention to the following difficulties experienced by the trade under the War Risk Insurance Scheme. Objection was taken to the insistence by the authorities for the submission of figures of purchases and sales on the basis of calendar months as a large number of firms kept their accounts according to Samvat Year or Maru Year. It was also brought to the notice of Government that in terms of the requirements at present insisted upon, it was difficult to ascertain stock per each quarter for purpose of assessing premium. It would also be a hardship if the replacement cost of commodities already sold during each quarter was taken into account and value estimated on the replacement price basis.

Amendment of the Town Duty Refund Rules

The Summary Report of the Committee for the year 1942 has referred to the correspondence the Committee had with the Municipal Commissioner of Bombay in regard to the amendment of the Town Duty Refund Rules wherein evidently the Commissioner had objected to the application entirely of the principle of E. & O. E. in respect of export notes, although in certain cases such notes had been allowed to be corrected. In this connection, the Commissioner in his reply dated the 13th November 1942, informed the Committee that, as in his opinion the writing of Export Notes was not a very complicated matter, discrepancies in all cases should not be allowed. It was also mentioned that for the carelessness of the exporters the municipality should not be held responsible and that it was not possible to scrutinise all the details of the export notes while the goods were under examination. He did not agree with the contention of the Committee that the export notes could be corrected at a later date as in the case of Customs Drawback Shipping Bills as they were of secondary importance; the import bills being mainly required for establishing identity of exports.

The Committee in their reply dated 16th January, drew the attention of the Commissioner to Section 525 of the Municipal Act whereunder *bona fide* errors made by the Municipality were allowed to be corrected and maintained that similarly, correction of Export Notes should also be allowed the same facility. Attention was also drawn to the Municipal procedure of checking of these Export Notes which went through several departments before refund was allowed and it was but fair to the exporters that such notes should be registered only after they had been found complete in all particulars. Besides, even Court Affidavits, plaints and juridical documents were allowed to be corrected and therefore, there would be justice in allowing Export Notes also to be corrected. It was further added that the Municipal marks on the packages could be verified with the marks noted on the export bills; such verification should be sufficient ground for allowing the Notes to be accepted. Besides, the Port Trust records were always available for such verification. It was urged that the principle of E. & O. E. should be entirely applicable and not in parts and that in the light of the above, the difficulties arising out of the incomplete Export Notes should be removed by allowing them to be corrected in cases of *bona fide* errors.

III. TRADE, INDUSTRIAL AND LABOUR LEGISLATION.

Bill to Consolidate and Amend the Law relating to Government Securities.

In their letter dated 6th December 1943 addressed to the Government of Bombay the Committee submitted their views on the above Bill a brief summary of which is as follows :—

The Finance Member in reply to a question in the Central Legislature on the above subject stated that the Central Government Securities after the passing of the above Bill, would not come under the Indian Securities Act, 1920 and that the different Provincial Governments guided under the Act of 1920 might provide suitable amendments with regard to their Securities if it was felt necessary. The Committee in this connection pointed out that the securities, both Central and Provincial, were being traded on identical lines in the various markets of India and that if the Central Government Securities were taken out from the 1920 Act, the markets would be disturbed and discrimination was bound to be exercised in favour of Central Government Securities. The Committee therefore suggested that securities of both the Central and Provincial Governments should be governed by the same principles of law and there could be only one legislation in force for the same. They also suggested that if this was not possible the amendments suggested in the Bill should be incorporated in the 1920 Act with a view to observe uniformity in such legislation.

RULES. It was pointed out that many things in the Bill were left to be provided by the rules to be prescribed. A suggestion was made in this connection that the draft rules should be circulated in advance for eliciting commercial opinion and that the same should be placed before the two Legislatures for final confirmation as was being done under Section 144 of the Insurance Act.

RENEWAL OF GOVERNMENT SECURITIES. There was much ambiguity at present regarding the position of the investor in respect of Government Securities which had been renewed. The Committee referred to their view as submitted to the Govern-

ment of India in the year 1939 that on renewal of Government Promissory Notes the holder should get a good title on a renewed Promissory Note and such holder should be left in no doubt regarding the right of an implied indemnity against the last endorsee. If Government were, however, unwilling to assume the full legal obligation in respect of a renewed security, it was essential that they should agree to a time limit, say three years, after which no question of validity of an endorsement could be raised. This was suggested to enable the investing public to have full confidence in Government Securities.

Determination of Disputes. The Committee welcomed the provision regarding summary adjudication by the Reserve Bank of India of disputes regarding the title. It was, however, suggested that the authority determining such disputes as appointed by the Reserve Bank should be judicially competent. It was also suggested that an appeal should lie against the final decision of the determining authority to a Committee of local Directors of the Reserve Bank within 15 days from the date of such decision.

Period of Limitation. In respect of the provision in the Bill that the liability of the Central Government in regard to Government Securities and of interest payment due on them should terminate on the expiry of six years from the date on which the amount in question became due, the Committee pointed out that the provision would have an adverse effect on the rights and security of the investors and suggested that there should be no limitation whatsoever on the question of payment of principal and/or interest. The Committee also suggested minor changes in the provisions of the Bill.

Indian Companies Act, 1913—Amendment of Section 277(I).

In reply to the communication from the Government of India dated 15th March 1943, regarding suggestions from the Reserve Bank of India in connection with the floatation and organisation of banking concerns, the Committee in their letter dated 13th May 1943, regretted that the previous proposals of the Reserve Bank of India to have a comprehensive Bank Act were turned down by Government, as in the present times, such an Act, if placed on the Statute Book would have been of inestimable importance. The amendments now suggested in

the Companies Act could only serve to remove some of the difficulties with regard to the organisation of banks. The time for having such piecemeal legislation had long past. Anyway, they welcomed the suggestions now put forward to check the recent developments with regard to the banking in the country. While they were opposed to deferred shares for banking institutions, they were of opinion that preference shares should be allowed in addition to the ordinary shares. The reason why they were in favour of having preference shares was that the same could be issued to depositors in case any bank desired, under the stress of difficulties, to initiate any scheme of re-construction or re-organisation. They, therefore, urged that the issue of preference shares should not be ruled out by force of law. It was added that the capital should be so divided that the amount called and paid up on the preference shares should not in any case exceed the amount called and paid up on ordinary shares. The right of voting also should be on the basis of and in proportion to the paid-up capital and contributed by each class of shares. The suggestion of the Reserve Bank, viz. the subscribed capital should not be less than half the authorised capital and paid-up capital should not be less than half the subscribed capital was supported by the Committee. Although with regard to other Institutions, the Committee would be normally opposed to any retrospective effect being given to the Commercial Legislation such as above, they were of opinion that with regard to Banks retrospective effect should be given to the rights of voting suggested by the Reserve Bank, so that all classes of shareholders may have a right of voting as per capital paid up.

Indian Companies Act, 1913,—Inspection of Affairs of Companies.

In their communication dated 24th March 1943, addressed to the Government of India, the Committee supported the representation of the Marwari Chamber of Commerce, Calcutta, regarding the unsatisfactory nature of the existing provisions of the Indian Companies Act relating to inspection of affairs of companies. The procedure at present gave no opportunity to the company to rebut any allegations made by a section of the shareholders as a result of which Government would proceed to appoint an Inspector for inspection purposes. It was sug-

gested that as a safeguard in the interests of the company concerned, the company should be first served with a notice to give an explanation in such instances and if Government were satisfied that the complaint was just, such an enquiry might be instituted.

Indian Merchandise Marks Act—Marking of the Country of Origin in Respect of Certain Classes of Imported Goods.

In a communication dated the 14th October, addressed to the Government of India, the Committee referred to the draft notification of Government dated 31st July 1943, in connection with the above. The said notification under Section 12A of the Indian Merchandise Marks Act, 1889, prescribed the manner in which the indication of the country of origin on certain imported goods should be applied, in which connection a schedule of imported goods to which the notification should apply had been appended. While approving the said draft of the notification the Committee referred to their previous correspondence regarding the evasion of the stamping of the country of origin on goods made in India by British and foreign firms, as a result of which it was likely that such goods would be passed on as goods of foreign manufacture. They also referred to the practice of such manufacturers giving a foreign address on the containers of goods made in India without the indication of the country of origin. It was, therefore, urged that the goods manufactured by British and foreign firms should have a clear indication of the country of origin with a view to safeguard the interests of the consuming public who would otherwise be led to purchase such goods as manufactured outside India.

Trade Marks Act and Rules—Suggested Amendments Regarding Register, etc.

In their letter dated 24th March 1943, addressed to the Government of India the Committee supported the representation of the Millowners' Association, Bombay, relating to changes and amendments necessary in the Trade Marks Act and Rules thereunder. They pointed out that the position taken up by the commercial bodies at this end at the time of the legislation relating to registration of Trade Marks regarding the advisability of registering all trade marks, both textile and non-textile,

in Bombay was reiterated and justified by statistics that were available. It was stated that over 50 per cent of the non-textile marks deposited under Section 85 of the Act were from Western and Southern India, the percentage of such marks from Bengal, U. P., Assam, Bihar, Orissa, etc., being only 30 per cent. With regard to textile marks registration, while 68,000 applications for registration were received in Bombay, only 748 applications were registered in Calcutta. The statistical position left no doubt about the extreme advisability of registration of all trade marks both textile and non-textile in Bombay. The difficulties arising out of the procedure with regard to registration of associated trade marks under Section 12 were referred to and Government were requested to clarify the position. The restriction under Section 69 on the use of Royal Arms and other emblems as trade marks was the cause of much difficulty and it was suggested that on the lines of the analogous provisions in the British Act, the ban on such marks already in operation should be removed.

Trade Marks Act—Re-Grouping of Classifications of Textile Goods.

The Textile Trade Marks Advisory Committee sent to this Chamber a draft report on the question of re-grouping the various classifications of textile goods in the fifth Schedule of the Trade Marks Act and desired the views of the Committee thereon. The Committee in their reply dated 26th May stated that they were in general agreement with the scheme of re-grouping the classification in the said report with the exception that it was desirable to separate fabrics made entirely of artificial silk and pure silk and bring them under two distinct groups.

Rules for Marking of Cotton Yarn and Thread.

In their communication dated 17th November 1943, addressed to the Government of India the Committee referred to the Government notification dated 31st July 1943, publishing draft rules in regard to the above and submitted the following suggestions for consideration by Government:

Rule 9(1) The counts of cotton yarn should be expressed in ordinary numerals and not in metric system;

Rule 9(2) It would be better to have a ticket number instead of grist number.

Trade Marks Act—Advisory Committee under.

Mr. M. M. Amersey was nominated as the representative of the Chamber on the Advisory Committee under the Trade Marks Act *vice* Mr. M. C. Ghia, M.L.A., resigned.

Marking and Stamping Weights required for Inter-Departmental Purposes.

The Committee in their communication dated 13th May 1943, addressed to the Government of Bombay referred to the previous correspondence they had in the year 1941 and onwards with regard to the marking and stamping weights required for inter-departmental purposes. They also referred to the Government draft notification exempting weights and instruments " used for mixing ingredients for personal information only in the (1) sizing, mixing, bleaching, printing, finishing and calendering departments of textile mills and factories, and (2) manufacturing concerns and railway workshops." This amendment, the Committee pointed out, was approved by them under the impression that the same covered all weights and measures for inter-departmental purposes. It was, however, now elicited that the actual amendment as interpreted by Government was restricted in its scope and did not exempt all weights and measures used for inter-departmental purposes. The Committee urged that such exemption should be applied to all weights and measures used for inter-departmental purposes and if that was not possible, Government should at least revise the scale of fees and charges for stamping, verification, etc., and charge only nominal fees for such purposes. The Government of Bombay in their reply dated 7th July, informed the Committee that the general exemption asked for was not possible for them to accede to. Neither was it possible to reduce the fees fixed for verification and stamping of weights and measures used for inter-departmental purposes.

Recruitment of Indian Labour for Ceylon.

In a telegram dated 21st January, addressed to the Government of India, the Committee referred to the negotiations going on between them and the Government of Ceylon for the

purpose of recruiting 30,000 Indian labourers for work in rubber plantations in Ceylon, and stated that the request of the Ceylon Government for such labour should not be acceded to so long as they did not repeal and abolish all measures involving racial discrimination against Indians. India should be assured that no such discriminating legislation would be enacted in future against Indians.

IV. GENERAL TRADE AND INDUSTRY

Interview with the Hon'ble Sir M. Azizul Huque, C.I.E., D.Litt., Member for Commerce, Industries & Civil Supplies, Government of India.

The Committee had an interview with the Hon'ble Sir Azizul Huque, C.I.E., D.Litt., Commerce Member to the Government of India on 26th August 1943 when the following points were discussed :—

1. Cloth Control.
2. Exports of foodstuffs and cloth.
3. Representation at International Conferences.
4. Post-war Reconstruction.
5. Insurance
6. Shipping.

Interview with the Hon'ble Mr. N. R. Pillai, C.I.E., C.B.E., I.C.S., Secretary to the Government of India, Department of Commerce.

On 13th July 1943, the Committee had an interview with the Hon'ble Mr. N. R. Pillai, when the following subjects were discussed :—1. United Kingdom Commercial Corporation. 2. Export Markets. 3. Import Control. 4. Import Control on Dye-stuffs. 5. Exchange Banks and Policies of Indian Insurance Companies. 6. Provisions of the Indian Companies Act re : Reduction of Capital. 7. Indian Insurance Companies. 8. War Risk (Goods) Insurance. 9. Participation of India in International Conferences. 10. Shipping. 11. Trading in Raw Cotton.

Interview with the Hon'ble Sir H. P. Mody, K.B.E., Supply Member, Government of India.

The Committee met the Hon. Sir H. P. Mody, K.B.E., Supply Member, Government of India, on 14th January 1943 when the following points were discussed :

1. Food supplies and purchases by Government for Military requirements.
2. Grady Mission and after.
3. Lease-Lend aid—Agreement between India and U. S. A.

4. Requirement in regard to production of manufacturers' invoices.
5. Freezing of supplies.
6. Requisitioning of supplies.
7. Basis of fixing prices for goods requisitioned.
8. Machine Tool control.

Interview with Khan Bahadur M. M. H. Kizilbash, Commercial Attache to the British Legation at Kabul.

The Import-Export sub-Committee of the Chamber had an interview with Khan Bahadur M. M. H. Kizilbash, Commercial Attache to the British Legation at Kabul, on 15th January 1943 when questions relating to trade between India and Afghanistan were discussed.

Observations of the Finance Member in the Legislative Assembly.

Seth Haridas Madhavdas, President, issued a statement to the press criticising the observations made by the Hon. the Finance Member in the Legislative Assembly regarding cotton prices, a brief summary of which is as under :—

He maintained that the present high prices of cotton were not solely due to speculative transactions, but were the result of supply and demand position. He quoted figures to show that the demand was more than the supply as a result of which the prices had risen Even on the basis of the present prices of cotton, there was a margin of difference between the prices of cotton and the prices of finished cotton goods. It was hinted in the statement that the reason for the adverse comments of the Finance Member was probably due to the likely decrease in the Government revenue as a result of cotton selling at higher prices whereby profits earned by mills would be lower, thus curtailing the revenue earned by Government on profits earned by mills. Seth Haridas pointed out that when cotton was selling cheap, Government would not come to the rescue of the cultivator ; under the circumstances, Government should have given due consideration to the cultivator in such times of rising prices of cotton and allowed him to make up for the losses made by him in lean times.

Hoarding & Profiteering Prevention Ordinance, 1943.

On 27th October 1943, the Committee sent a telegram to the Government of India drawing their attention to the uncertainty and nervousness caused by the promulgation of the Hoarding & Profiteering Prevention Ordinance as the same had been brought into operation immediately on the issue date without giving any specific information regarding many details such as, goods exempted, goods for which maximum prices were to be fixed, schedule of such prices, basis of arriving at landed cost, cost of production, etc. While the Committee were in full agreement with the intention of Government to check the rise in prices of articles of daily necessity, they were of opinion that such an omnibus ordinance should have been issued only after full consultation with the merchant community concerned. They stated that many of the provisions were unworkable and impractical. Different stockholders of the same article would have acquired goods at different prices and at different periods and if according to the ordinance 20% was to be charged as an over-price for selling such goods in the market, there would be different prices for the same article in the market. This would lead to disorder and confusion. It was, therefore, urged that the order should be suspended.

In this connection the Committee interviewed Mr. C. C. Desai, the Controller-General of Civil Supplies, Government of India, on 11th November 1943 and discussed with him the provisions of Ordinance in greater detail.

Industrial Questionnaire on Post-War Industrial Development.

The Committee circulated for the information of the members Government questionnaire regarding post-war industrial development issued by the Department of Industries & Civil Supplies. This questionnaire was issued with a view to the formulation of plans for the future of Indian industries.

Cotton Cloth and Yarn Control Order, 1943.

The Committee sent a representation to the Government of Bombay on 22nd July giving their views on the Cotton Cloth and Yarn Control Order, 1943, a summary of which is as under :

At the outset, the Committee informed Government that only the manufacturing interests were consulted before this Order was issued, while the other interests such as cotton producers, cotton distributors, cloth and yarn distributors and consumers were left out. The Committee urged that such interests which the Chamber represented should have been consulted also for making the Order comprehensive and practical. They, however, welcomed such a control which was necessary to scale down the high prices of cloth and yarn. The committee, however, had objection to Clause 14 of the Order which required that cloth and yarn manufactured before 1st August 1943, should not remain in full bales after 31st August 1943, and that all such cloth and yarn should be finally disposed of by sale before 31st October. They were of opinion that a commodity like cloth would deteriorate if removed from bale packing. Cloth removed from bales would occupy a much larger space than cloth in full bales. Disposal of all cloth by 31st October was not practicable, as the time allowed was too short. They desired to know as to how retailers could be forced to sell or buyers compelled to buy at dates fixed in the Order, as Clause 17 enacted that no consumer could buy in excess of his normal requirements. They stated that these contradictory requirements made the Order complex for the proper understanding of the public. They also requested Government to make clear the position of Banks with regard to this Order which had advanced moneys on stocks of cloth and yarn, as the obligations of the pledger and the banker advancing the money on the pledged goods were contradictory under the Order. It was pointed out that unless the transport difficulties were removed, the object of the Order, i.e. the reduction in prices would not be fulfilled.

Regarding the composition of the Textile Control Board, it was urged that adequate representation should be provided for all the different interests mentioned above so that anyone interested might not have a preponderating voice in the execution of the Order. Government in their reply dated the 9th August informed the Committee that modification in the Order at present was not possible, but they, however, assured the Committee that any case of individual hardship would be considered by the Textile Commissioner in consultation with the Textile Control Board. It was also stated that the Textile Control

Board, as constituted, was unwieldy and did not allow any scope for new members to be added thereon. It was added that while constituting the Board the Government had in mind the various problems that were to be dealt with by the Board rather than the representation of numerical strength in India of the several interests concerned. The Committee, in their reply dated 19th August, objected to the statement made in their letter under reference, that the above Order had been promulgated in consultation with all the interests affected and urged that if the aim of the Order was to be fulfilled, co-operation of the other interests concerned should be secured. The Committee also desired to know which particular interests Government had consulted in the drafting of the Order before it was promulgated. Government in their reply dated 30th August stated that they were equally anxious in securing the co-operation of all the interests concerned and that in case instances were pointed out where such co-operation was not invited they would be pleased to rectify such errors. The Committee, in their reply dated 16th September, regretted the non-inclusion of a representative of a body like the Chamber on the Textile Control Board and urged again the appointment of such a representative to enable the Committee to be of active assistance to Government in the successful working of the scheme.

Difficulties of the Retail Cloth Trade under the Cotton Cloth & Yarn Control Order.

On 4th October 1943 the Committee addressed the Government of India drawing their attention to the difficulties that would be experienced by the retail cloth dealers by the requirement under the Order to sell off before 31st October 1943 all stocks manufactured before 1st August 1942. It was pointed out that the retail trade was obliged to keep in stock a large variety of cloths, which varieties were not in demand at all times, being seasonal. Besides, it was not possible for the retailers to dispose of the large stocks which might have been collected to meet the requirements of various types of customers. It was, therefore, urged that retail dealers should be granted extension to dispose of their stocks.

Subsequently Government issued an order extending the time till 31st December 1943.

Standard Cloth Conference.

The Committee nominated Mr. J. C. Setalvad as representative of the Federation of Indian Chambers of Commerce & Industry on the Standard Cloth Conference held in Bombay in May 1948.

Essential Drugs (Census) Order, 1941.

In their communication dated 15th September addressed to the Director-General of Indian Medical Service, the Committee drew attention to the practical difficulties arising out of the working of the Essential Drugs (Census) Order of 1941 and stated that it was not possible for the merchants to keep records of sales and purchases done in the course of the business from day to day as the cost thereof would be prohibitive and out of proportion. It was suggested that the return of stocks might be made of about 60 principal items selected from the 8,000 items at present contained in the schedule.

Control of Drugs Prices.

On 15th September the Committee addressed the Department of Industries and Civil Supplies referring to the press reports regarding the proposed control on the prices of drugs and medicines and setting up of an Advisory Panel in this regard. The Committee complained that Government had consulted only the pharmaceutical interests in the above connection and not the distributors who were also concerned in the working of such controls. It was suggested that the Indian drug merchants should be invited to participate in such preliminary consultations. It was also urged that the Chemists & Druggists Association of Bombay should have a representative on the proposed panel.

Indian Stores Department Tenders and Manufacturers' Invoices.

With reference to the correspondence between the Committee and the Supply Department of the Government of India in connection with the production of manufacturers' invoices in respect of tenders issued by the Department and the book examination clause in all invitations to tender, it will be recalled that the Committee had insisted that the merchants

should not be required to produce invoices in case of transactions taking place under open tenders, as published in the Summary Report of the Committee for the year 1942. In response to the Committee's request to further clarify this matter, Government in their reply dated 20th January 1943 stated that it was not their intention to use the clause in respect of contracts entered into as a result of competitive tenders except in cases where limited tenders and single tenders were issued. They, however, informed the Committee that the clause might be enforced in case of some competitive tenders where a revision of contract price was found necessary and where such a provision was provided in the conditions of the contract.

Freezing and Requisitioning Orders.

At the instance of the Government Contractors concerned the Committee addressed the Department of Supply on 22nd September drawing attention to the difficulties experienced by the trade in respect of such practices as freezing of stocks, requisitioning of goods, demand for the production of manufacturers' invoices and the basis adopted by the department in fixing prices for supplies. They stated that complaint was made that Government took time in bringing into operation freezing orders with regard to imported goods that were likely to be of use to Government. It was also made out that the requisitioning orders which should follow immediately the freezing orders, were also delayed putting the suppliers into difficulty thereby. It was also urged therefore that the freezing orders should be put into operation within a reasonable time limit and that the requisitioning order should definitely be issued within a fortnight of the freezing order and as soon as despatches were completed, arrangements should be made for payment of the value of the goods. It was also pointed out that such freezing orders should be applied generally to merchants carrying the stocks concerned and that such orders should be published in the Government Gazette with a view to apply them universally. This was suggested as such freezing orders were issued to only certain firms and not to all the traders concerned.

With regard to the practice of the Supply Department to purchase imported stocks on the basis of invoice prices, it was urged that the Department should also buy over indigenous

goods, or else pay on the basis of the prices ruling in the market. The Committee complained against the practice of the Department in calling for documents even in cases where genuine competitive tenders had been submitted and accepted and stated that in case of accepted tenders the practice of calling for documents should be abandoned. They also urged that due consideration should also be given regarding the replacement value in case of requisitioned goods and the suppliers must be given relief to that extent. The Government of India in their reply dated 17th November assured the Committee that steps had been taken to reduce the period of the freezing orders as much as possible. With regard to the compensation for such goods requisitioned Government were of opinion that the delay was caused more by the merchants in not promptly supplying the details and particulars required in connection with such payments. They were, however, prepared to consider any individual cases where there was any ground for complaint and delay. Besides, such freezing orders were issued and served only in respect of stocks which were known to exist and were needed by Government. It was, therefore, presumed that stocks lying elsewhere with other merchants were not required to be put under any restraint. They did not accept the suggestion of the Committee to publish such freezing orders in the Government Gazette. The method of requisition was resorted to in case of such stocks which had very much appreciated in price and were not ordinarily available in the market at reasonable prices. The Committee were assured that reasonable margin of profits was allowed to merchants as compensation in regard to such requisitioned stocks. It was the practice of Government during these times of great scarcity of imported goods to allow imports of such goods which were not available in the country. Therefore, the question of giving preference to imported goods did not arise. They were of opinion that the question of replacement value would be considered only in such cases where business was likely to be stopped as a result of requisitioning. With regard to the production of manufacturers' invoices, they referred to the assurance of Sir Homi Mody given to the Committee of the Chamber that any bad cases reported to the Department would be considered and dealt with.

Consignment of Hydroquinone Requisitioned by the Government of India.

In their letter dated 17th December addressed to the Government of India the Committee referred to a dispute arising between Government and the importer with regard to a consignment of Hydroquinone, a portion of which had been requisitioned by Government. The Committee suggested that the marginal profit as claimed by the importer should be allowed on the invoice presented by the importer for the quantity requisitioned by Government.

Supply Department Orders and Delay in Taking Delivery of Stores.

The Government of India in the Department of Supply in their communication dated 19th May 1943, desired the views of the Committee in connection with the difficulties experienced by Contractors regarding transport of Supply Department orders and hardships arising from the delay in taking delivery of stores. Accordingly, the Committee sent a circular amongst the members of the Chamber for eliciting the nature of difficulties experienced by the contractors. The Committee, in their reply dated 28th August, submitted to Government the various difficulties as elicited from members, a brief summary of which is as under :—

1. The staff employed by Government for inspection of completed stores was insufficient; 2. There was difficulty in securing Military Credit Notes and, therefore, it was suggested that such notes should be issued along with inspection certificates; 3. Priority certificates should not be required for goods covered by Military Credit Notes; 4. Arrangements must be made to accept consignments falling short of full wagon loads, etc.

Price of Tender Forms.

As mentioned in the Summary Report of the Chamber for the year 1942, the Committee had carried on correspondence with the Chief Controller of Stores, New Delhi, regarding the price of tender forms, which was considered excessive by the mercantile community. The Controller of Printing & Stationery in his letter dated 16th March stated that the Central Stationery

Office did not make any profit from the sale of tender forms; on the contrary, the actual expenditure incurred on printing advertisements, etc., was more than their sale proceeds. He further added that the prices were fixed with reference to the estimated value of contracts on a sliding scale, as adopted by the Indian Stores Department. He, therefore, regretted that it was not possible for Government to reduce or revise the fees for tender forms.

Diverted Cargo Legally Purchased Treated as Frustrated Cargo.

In a telegram dated 18th February, the Committee drew the attention of the Government of India to a consignment of woollen piecegoods sent from London to Hongkong but diverted to Karachi, owing to entry of Japan into war. It was pointed out, in this connection, that a member-firm of this Chamber purchased these goods through exporter's agents in Bombay and later sold a part thereof to a local firm, the remaining portion being kept in bonded warehouses at Karachi. This remaining part of the cargo was ordered to be handed over to Anglo-Dutch Frustrated Cargo Committee, which was authorised to sell these goods and to remit the proceeds to London. The above showed that the cargo now in the bonded warehouse could not be treated as frustrated cargo, as the same was legally purchased. It was urged that the goods in question should be handed over to the purchaser, as otherwise, heavy delay would occur in recovering the payment of the proceeds of the cargo.

The attention of the Committee was drawn to a similar instance by Messrs. S. Mitra & Co., whereupon the Committee addressed the Commerce Department, requesting them to consider their case also.

Requisitioning of Godowns by Government—Representative of the Chamber on Commercial Panel.

In their communication dated 23rd March addressed to the Government of Bombay, the Committee referred to the difficulties experienced by merchants as a result of the requisitioning of godowns occupied by grain merchants and seeds merchants at short notice. It was pointed out that Government had thrice given notice to vacate since March 1942, which had resulted

in great loss and inconvenience to merchants having large stocks on hand. In spite of the undertaking given by Government not to shift them to other places after having requisitioned their former godowns, Government had again requisitioned the present godown space at short notice and asked the merchants to remove their stocks to the Iron Market godowns where the godown space was not even one-fourth of the normal space occupied by them at the Grain Depot. In view of the high rents of the godowns the position of merchants had become difficult by such shiftings. It was, therefore, urged that the difficulties of the merchants resulting from requisitioning orders of Government at short notice should be taken into consideration and such requisitioning orders should be withdrawn. The Director of Civil Supplies, Bombay, in his letter dated 29th March informed the Committee that Government proposed to form a small Panel of commercial associations to advise both the officers responsible for receiving accommodation and the commercial interests affected on account of Government requisitioning godowns in the City, and desired that a representative of the Chamber be appointed on the Panel under reference. The Committee in their letter dated 7th April informed Government that Seth Mathuradas Vissonji would represent the Chamber on the proposed Panel.

The Committee in a further letter dated 18th December addressed to the Government of Bombay drew attention to a large number of godowns being acquired for purposes of storing requirements of the Supply Department as also for storing foodgrains needed in connection with the rationing of foodsupply in the city. The Committee pointed out that a serious situation had arisen as a result of shortage of godown accommodation in the city and suggested that Government themselves should construct godowns for purposes of storing rationing supplies as also allow a limited number of private parties to erect godowns with a view to storing consumption goods which were now greatly in demand by the increasing population of the city.

Assistance to Shuttle Manufacturing Industry.

At the instance of the Shuttle Manufacturers' Association, the Committee addressed on 4th February 1943 the Govern-

ment of India regarding the difficulties experienced by the shuttle manufacturers in obtaining raw materials, such as Cornelwood blocks and fittings which were imported from foreign sources. The opinion of the Priority Assistance Advisory Panel attached to the Cotton Textile Directorate that it was advisable to import complete shuttles in place of wood owing to shipping difficulties was objected to by the Committee as such a view would harm the development of the industry which was in its infant stage. The Committee supported the contention of the Association that imports of special wood required for the manufacture of shuttles should be given necessary priority and essentiality—that the import duty of 25 per cent plus 20 per cent surcharge on wood blocks should be abolished and the ancillary materials should be allowed free of duty; if that was not possible, import should be allowed at a reduced rate. It was suggested that provision of facilities for getting skilled personnel for the industry should be the concern of Government and that research should be made for growing special types of wood required for manufacturing shuttles in India. A reply has been recently received from Government which is under consideration.

Relaxation in the Control over the Distribution of Iron & Steel.

In their communication dated 27th May addressed to the Government of India, the Committee referred to the representation of the Bengal Industries Association, Calcutta, to Government in the above connection and supported their suggestion that a large portion of the metal scrap now going to waste in many parts of the country should be allowed to be utilised by the local re-rolling mills and manufactured products thereof should be exempt from the Iron & Steel Control Order for the purpose of consumption amongst the public even at slightly higher prices. It was stated that if the suggestion of the Association was taken into consideration and steps taken to implement it, the same would result in increased output of Iron & Steel available for civilian consumption. Government in their reply dated 9th June informed the Committee that they were unable to allow relaxation in the Iron and Steel Order owing to steel being too vital a commodity for war purposes to justify raising the limit of transport which was permitted without licence.

Iron & Steel Control Order.

At the instance of the Karachi Iron, Steel & Hardware Merchants' Association the Committee addressed the Government of India on 27th December 1943, drawing attention to harassment from the police suffered by Iron merchants at Karachi for alleged breach of Iron & Steel Control Order under the Defence of India Rules. The Committee pointed out that the police were prosecuting iron merchants for such alleged breaches under the Order which they were not competent to do as they were not expected to understand the technicalities of the business on which the operation of the Order depended. It was, therefore, urged that some machinery should be set up by which such prosecutions could be withdrawn without the consent of the Courts provided the prosecuting authorities were satisfied that the charges brought against such persons were unfounded.

Pipe Control Order.

The Committee addressed the Government of India on 6th December 1943 on the question of Pipe Control Order whereunder all stocks of pipes were frozen and sale of such pipes was allowed only under written authorization of the Controller. The Committee informed the Government of India that this order was in operation since last one year and it had caused great hardships to consumers. The Committee pointed out in this connection that since recently Government had secured large supplies of pipes under Lease-Lend arrangement and there was no likelihood of shortage of pipes regarding Government requirements. It was urged therefore that there was no necessity for prolonging the operation of this order and that as a result of the easy situation on account of Lease-Lend supplies, the normal requirements of civilian consumers should be supplied without the permit. They also stated that the freezing order had developed a black market in this commodity and great inconvenience was caused to *bona fide* merchants whose stocks had been frozen. If Government, however, could not accept the suggestion of the Committee to release frozen stocks at this stage, it was alternatively urged that Government should buy over such frozen stocks at reasonable prices. Government in their reply pointed out that all essential requirements of pipes were

allowed to be met by release orders, when such requirements were properly certified and that the supply position in the country did not justify the complete relaxation of the control.

Wire for Manufacturing Pickers, etc.

The Committee addressed the Chief Controller of Imports, New Delhi, on 27th May supporting the request of a member-firm engaged in the manufacture of pickers, buffers and other textile accessories to be given a licence for acquiring sufficient quantities of wire which were necessary in the manufacture of their products. Government of India, in the Department of Supply, in their reply dated 9th June, regretted their inability to grant the licence requested for. It was stated that transfers of steel in quantities exceeding the quantities allowed without licence by Government were subject to authorization.

Sale of Matches other than 'Wimco' in Ahmedabad.

The Committee in their letter dated 27th December 1943 addressed to the Government of Bombay referred to the District Magistrate's Order in Ahmedabad prohibiting all firms except the Wimco from importing and selling matches in Ahmedabad city. The said Order was understood to be the result of scarcity of matches in Ahmedabad when only Wimco matches were available. The Committee were of opinion that for some reason or other the step of the authorities in prohibiting all matches except Wimco from being distributed in Ahmedabad was unfair and inequitable. It was, therefore, urged that the Prohibitory Order should be withdrawn and all makes of matches should be allowed to be sold freely in the city and particularly the manufactures produced near about the district.

Supply of Electrical Energy to Rice & Flour Mills at Panvel.

The Committee, at the instance of a member-firm, addressed the Government of Bombay on 19th February pointing out that the Panvel Taluka Electrical Development Company Ltd., had been prohibited from supplying electrical energy for working rice and flour mills at Panvel on the plea of shortage of diesel oil. The attention of Government was drawn to the fact that the Company was drawing its power from the Tata Hydro-Electric Company Ltd., and, therefore, the plea of shortage of

diesel oil did not hold good in this case. It was, therefore, urged that the Company should be allowed to supply electrical energy to the rice and flour mills at Panvel. It was also added that if such facilities were given, Panvel would be able to relieve the present shortage of foodstuffs in Bombay City. Government in their reply dated 30th April 1943, informed the Committee that under the Electricity Control Order, new supply or increase in the existing supply of electricity was controlled and applications for such supply were considered on merits. They also informed the Committee that the Firm under reference had been allowed to supply electric power in two cases.

Diesel Oil Ration and Stoppage of Electric Supply.

With reference to the correspondence between the Committee and the Government of Bombay with regard to the rationing of diesel oil and curtailment of electric supply, Government had stated that no discrimination was being practised between large and small towns with regard to the supply of diesel oil, as published in the Summary Report of the Committee for 1942. In their letter dated 19th February, addressed to the Government of Bombay, P. W. Department, the Committee referred to the unsatisfactory position of the small companies *vis-a-vis* large concerns, in this connection, and stated that while large towns were permitted unlimited supply of energy, small concerns were not permitted to give new connections in smaller cities and the number of street lights in such cities was also cut down. In view of the needs of smaller towns being equal to the bigger towns, the Committee urged that all discriminatory orders with regard to such smaller places should be withdrawn and such places should enjoy the privileges of the bigger towns. The Committee further urged that the Chamber should have representation on the Power Control Board, with a view to represent the needs of the consumers. They also addressed the Government of India urging representation for the Chamber on the Rationing Committee for fuel oil, for placing the grievances of industrialists before the said Committee. Government in their reply dated 29th March informed the Committee that no discrimination was made between large and small towns and classification of the various electric supply undertakings was based on the importance of the load and the hours of supply.

As regards the Committee's contention that small electric supply companies were not permitted to give new connections, Government pointed out that all Public Utility Electricity Undertakings in the province were prevented, under the Control Order served on them by the Government of India, from giving new connections without permit from the appropriate authority. With regard to the suggestion of the Committee for representation on the Power Control Board, Government stated that under the Control Order, only applications for requirements in excess of 50 K. W. were disposed off by the Central Electric Power Control Board and that there was no necessity for such separate representation.

Supply of Electrical Energy to Amalner.

In their communication dated 6th December 1943 addressed to the Government of Bombay, Public Works Department, the Committee referred to the classification of electric power stations prescribing hours of supply of energy on group basis introduced with a view to conserve supplies of diesel oil. The town of Amalner having considerable trade activity was classified under group D and the power station there was allowed to supply energy only for six hours on the basis of proportionate diesel oil allowed as quota under group D. The Committee was given to understand that the classification given to the city was without due consideration to the industrial and trade activity of the town as a result of which the lighting and energy supply to the town was greatly reduced. It was urged to reconsider the position of Amalner and give a proper classification to the town to enable the trade activity to be carried on with increased supply of energy and lighting.

Fuel Oil Rationing Committee.

In their letter dated 19th February addressed to the Government of India, Supply Department, the Committee requested Government to give representation to the Indian Merchants' Chamber on the Fuel Oil Rationing Committee, with a view to enable the members of the Chamber to place their grievances before the said Committee. Government in their reply dated the 9th April stated that if representation was permitted to one Chamber, claims by other Chambers of Commerce would be difficult to resist, and if all claims were admitted, the Committee

would become too unwieldy for prompt and efficient discharge of business. They, therefore, regretted their inability to grant any representation on the said Advisory Committee, assuring, however, at the same time, that complaints received from the Chamber would be given prompt and urgent attention.

Duties and Functions of the Controller of Coal Distribution.

On 4th October 1943 the Committee sent a telegram to the Government of India drawing their attention to the deviation practised in regard to the duties and functions of the Controller of Coal Distribution. It was pointed out that the normal trade activities of merchants concerned were interfered with by the Coal Controller as a result of which the industries had to pay higher prices for their supplies and the merchants had to suffer for non-fulfilment of their previous contracts. Reference was made to the contemplated arrangement for the supply of coal to textile mills through the Textile Directorate which would cause disturbance in the normal course of trade. It was urged that the duties and functions of the Controller should be confined to facilities for transport only. The Government of India in their reply dated 9th November informed the Committee that having regard to the present coal position in the country, rationalisation and control were essential to ensure equitable distribution of the coal available in the country, in which connection a coal rationing scheme had been recently put into operation, under which a quota was fixed for the textile industry which would be worked under the direction of the Textile Directorate. The Committee in their telegram dated 19th November regretted that they had no official intimation of the scheme mentioned in their letter and desired to be furnished with the full details of the scheme. It was also pointed out that the trade interests concerned should have been consulted before such a scheme was formulated. They also brought to the notice of Government that the distribution of coal should be maintained, as far as possible, through trade channels. They informed Government that as a result of the Controller's interference the consumers were obliged to pay higher prices for coal and at the same time merchants were unable to fulfil their previous contracts.

The Government of India in the Department of War Transport in their reply dated 2nd December 1943 informed the Com-

mittee that under the Coal Rationing Scheme, the monthly quota had been fixed for each industry after taking into account the past consumption, the essentiality of the industry and the availability of coal. With regard to the Controller of Coal Distribution himself making arrangements for supplies to consumers, the reply stated that the Controller had done so at the request of the consumer who could not obtain his supplies owing to one reason or the other as also with a view to control the supplies to the consumers for the purpose of securing equitable distribution. Subject to the above, the Government of India agreed that the distribution of coal should be maintained through ordinary trade channels as far as possible.

The Committee in a further reply dated 27th December drew attention of Government that under the scheme a large number of consumers, for example mills, ginning factories, etc. had not been getting adequate supplies of coal. Besides, the period taken into consideration for fixing the quota, *viz.* August 1942 to July 1943 could not be regarded as a standard period because a large number of factories and mills were not working during the period on account of political disturbances in the country. The Committee objected to the Coal Controller taking upon himself the function of the traders by distributing coal to consumers, as such an action aimed at the basis of the sanctity of contracts entered into between the coal merchants and the consumers previous to the introduction of the scheme. The argument of coal going into black markets if distributed through merchants could not be a reasonable one as the indents were made out direct in the names of the consumers. The Committee considered as a whole the working of the scheme as unsatisfactory.

Export of Coal.

The Committee in their communication dated 22nd December addressed to the Government of India, Department of War Transport, referred to the statement made by the Member for War Transport in reply to a question in the Legislative Assembly to the effect that the export of coal might be allowed to foreign countries to have a pool of coal for India as well as the foreign countries. The Committee feared that if such exports were contemplated, they would have adverse effect on the

industries of the country which required coal in adequate quantities. They drew attention to the necessity that might arise in future for bunkering purposes and for other war purposes on the Eastern frontier of the country. In view of the great scarcity of coal required for working the industries which were mainly on war work it was most undesirable to export coal badly needed in the country itself.

Provincial Priority for Coal.

In their communication dated 3rd March addressed to the Director of Industries and Provincial Coal Controller, Bombay, the Committee referred to the scheme for supply of coal wagons for requirements of factories and other consumers not engaged in war work, and as such, not on the priority list sanctioned by the Central Government. It was pointed out that the scheme related only to coalfields in Bengal and Behar and not in C.P. & C.I., which centres were nearer to Gujarat and Kathiawar thus making the transport of coal therefrom to Gujarat and Kathiawar cheaper and speedier. It was urged that the C.P. and C.I. collieries should be included in the existing scheme for provincial priorities. The Provincial Coal Controller in his letter dated 27th March informed the Committee that the Controller of Coal Distribution, Calcutta, had not yet completed the arrangement regarding supply of coal to the province of Bombay from C. P. coalfields. The Committee in their further communication dated 11th August addressed to the Department of Industries urged that arrangements should be made for the supply of coal from C.P. and C.I. as otherwise the coal supplies for the province would be in deficit. The Provincial Coal Controller in his reply dated 28th August informed the Committee that C.P. coal would not be available for Bombay for the present under the Provincial Distribution scheme and that C.I. coal was not intended for this province.

Advisory Committee Re: Provincial Coal Control Scheme.

It will be recalled that the Committee had nominated their two representatives on the two Advisory Committees for Coal and Coke. In this connection the Provincial Coal Controller, Bombay, in his letter dated 6th November, informed the Committee that the period of appointment of the above two Com-

mittees terminated on 1st December and that in future the Chamber should nominate only one representative for both the Coal and the Coke Advisory Committees. Accordingly, the Committee nominated Mr. Thakorelal H. Vakil to represent the Chamber on that body.

Restoration of Hedge Contracts regarding Cotton

By their telegram dated the 23rd September 1943 the Committee drew the attention of the Government of India to the recommendations of the Cotton Committee of the Textile Control Board and the Indian Central Cotton Committee to reopen the hedge contracts in respect of cotton. They also referred to the recommendation of the Committee of the Textile Control Board regarding the fixing of floor at Rs. 500 and ceiling at Rs. 650 in terms of the Indian Cotton Contract. It was urged that the above recommendation should be taken into consideration by Government and action taken accordingly. Government in their reply dated 28th September, informed the Committee that the recommendations above referred to were under their active consideration.

Hand-Weaving Institute at Poona.

In a communication dated 3rd March addressed to the Government of Bombay, the Committee supported the protest of the authorities of the Lord Reay Industrial Museum, Poona, against the discontinuance of the Hand-weaving Institute at Poona. It was stated that the proposal to start a new Power Weaving Insitute at Sholapur should not be the cause for closing down such an Institute in Poona, as such Institutions stood for development of handicraft and small-scale industries, which were greatly needed in the country.

Import Control on Dyes.

The attention of the Committee was drawn to the unsatisfactory position in which Indian importers were placed, because of the Control on the import of dyes from U.S.A. and other countries. The Committee, thereupon, addressed a letter to the Government of India on 27th April, in which they pointed out that under the Control Scheme, as laid down by Government, registered importers were to be allotted quota on

the basis of their imports during the year 1940. In this connection, the Committee mentioned that they had occasion to address Government more than once, particularly, on the issue of the basis adopted for the determination of import quota. They expressed the opinion that while considering the import quota granted to Indian merchants, the question of previous imports from countries now under enemy occupation should also be considered and the allotment made on the basis of the total imports received from these different countries. They further pointed out that the Imperial Chemical Industries were allowed increased quota for importation from U. S. A. and U. K., representing apparently the share of the business of the Chemdyes. Imports of these articles from U. S. A. under the Lease-Lend arrangements were also at present handed over for distribution, chiefly, to the Imperial Chemical Industries. The said Agency was also granted special licences for importing dyes for Government requirements in addition to their normal quota. It was, under the circumstances, but reasonable that the trade under the control of Government should be equally distributed between all importers, so as to enable them to continue their business during the period of the war. The Committee requested Government to review the whole position and revise the Import Control Scheme at an early date to suit the interests of the Indian importers. The Government of India in their reply dated 8th July informed the Committee that the pre-war imports of dyestuffs from enemy and enemy-occupied countries were not lost sight of while adjusting quotas for import of dyestuffs. It was stated that no useful purpose would be served by grant of licences to each and every importer, as the sources of supply were limited as also the quantities available for import owing to war conditions. As an instance of their anxiety to help Indian importers, they were allowed transfer of quotas meant for import from Switzerland to be utilised for import from U.S.A. Large stockists of Messrs. Chemdyes Limited were also accommodated in certain cases who had large previous imports to their credit. They repudiated the allegation that discrimination was being practised against the Indian importers and stated that much of the restriction now enforced was the result of difficult shipping conditions and the difficult position regarding imports from U.S.A. and U.K. They also informed the Committee with regard to the distribution of extra

quota licences that Government departments concerned should be approached, as such a demand related to such departments. The Committee addressed a further communication dated 5th October 1943, in which it was pointed out that production in U. S. A. was in excess of the country's domestic requirements and the suppliers in U. S. A. were willing to meet the demands of the Indian importers if they were given the facility to do so. Reference was made to the facilities accorded to those importers who had to their credit previous imports from Switzerland to transfer the same to U. S. A. for quota purposes and a request was made that similar facilities should also be given to the other importers who had to their credit previous imports from other countries which were now practically out of business including enemy occupied territories. It was emphasised that Government should grant quotas based on the actual previous imports from all countries and not according to the large turnover of stockists in business. It was urged that quotas should be based on the previous imports of dyestuffs from all countries put together.

Dyes Import Quota for Indians from Burma.

The Committee addressed a communication on 27th April 1943, in connection with the import quota to be granted to Indian businessmen of Burma who had now settled themselves in India. Under the existing Scheme of Import Licences, it was provided that importers would be given quota on the basis of their trade in the year 1940. Government, it was urged, might kindly examine the possibility of giving some quota on the basis of the above to such Indian merchants to carry on their trade in this country.

Government in their reply dated 15th June stated that the request of the Committee could not be acceded to as otherwise such a concession would curtail the already restricted imports of established Indian importers.

Import Licence for Hydrosulphite of Soda.

It will be recalled that as recorded in the summary report of the Committee for the year ending December 1942, the Committee had requested the Government of India to release stocks of hydrosulphite of soda or grant licences for the import of the

same as the chemical was urgently needed for the sugar industry as well as for the silk industry. They had also asked for special imports of Hydrogen Peroxide as a substitute for the requirement of the silk industry. The Government of India in their reply dated 14th June informed the Committee that the chemical could not be released for the requirement of silk mills as it was urgently required for war purposes. Sugar factories also could as well replace the chemical by some other substitute. Import of Hydrogen Peroxide could not be allowed as it constituted a dangerous deck cargo.

Import of Cotton Waste from Up-country.

On 3rd March 1943, the Committee addressed the Director of Civil Supplies, protesting against the refusal to issue licences to import cotton waste meant for export from centres such as Ahmedabad. It was contended that large commitments for export of cotton waste were made on the basis of future purchases of such cotton waste from the cotton mills situated in Ahmedabad. Consequently, if the licences were refused to import such waste from Ahmedabad, the commitments evidently would not be fulfilled, as Bombay market could not supply every requirement for purposes of export. It was urged that necessary facilities for import of such cotton waste should be given to *bona fide* parties on merits as also to such parties who had made advance commitments.

Import of Cloves from Zanzibar to Bombay.

At the instance of a member of the Chamber, the Committee addressed a letter on 7th April 1943, to the Chief Controller of Imports, drawing his attention to the fact that while fixing the limits of import quota for cloves to be imported from Zanzibar to Bombay, the basis for the same should be considered on the imports received between 1st April 1941, and 31st March 1942.

Import Licences for Goods from South Africa.

On 22nd April 1943, the Committee represented to the Chief Controller of Imports the difficulties of a member-firm with regard to the grant of import licences for the importation of goods from South Africa. The difficulty was especially with

regard to the pre-payment licences. The member-firm was granted two licences which were made valid till the 15th and 25th April 1943, respectively, after which the corresponding Letters of Credit expired. The goods having been not imported before the due date of the licences, the firm approached the Deputy Chief Controller of Imports, Bombay, for renewal of the licences in reply to which they were informed that the period would be extended to 30th June 1943, in case payment was made under the terms of the Letters of Credit without a guarantee of shipment being made available before 30th June. The Committee pointed out that the stipulation of not giving a guarantee of shipment was unfair and that in case the importer opened credits and shipments were not made available in time before the expiry of the Letters of Credit, the importer would be penalised. The Committee, therefore, urged that such licences should be automatically revalidated whenever a Letter of Credit was renewed for want of shipping accommodation. The Chief Controller of Imports in his reply dated 3rd June informed the Committee that pre-payment licences were not automatically revalidated after the Letter of Credit had expired as no guarantee could be given for shipping space required.

Supply of Milk.

On 25th October 1943, the Committee addressed the Government of Bombay drawing their attention to the great scarcity of fresh milk in the city of Bombay as a result of which milk prices had increased, the quality of milk had deteriorated and especially the women and children had been deprived of the sustenance which milk alone could give. The Committee after suggesting ways and means by which the scarcity of milk in the City could be relieved referred to the press reports that Government were proposing to import skimmed milk powder to relieve the situation. The Committee in this connection remarked that skimmed milk powder was greatly deficient in food value as compared with pure milk or whole milk powder. They, therefore, requested Government to see that such imported skimmed milk powder was not used for purposes of mixing with the milk distributed in the City, that the powder should not be available for civilian consumption and that the hotels and restaurants using such skimmed milk powder should be debarred from securing milk so long as the scarcity pre-

vailed in the City. The Committee also suggested that Government should take steps to import whole milk powder and whole condensed milk from countries in a position to supply the same.

The Government of Bombay in their reply dated 4th December informed the Committee that the items required for the production of milk were imported into Bombay from other provinces where prices had recorded high levels. Government were taking steps to provide at reasonable prices to cattle-owners items such as hay, chuni, cotton seeds, oilcakes, etc. As a result of their action prices of hay had declined. Supplies of oilcakes and copra were made available at controlled prices. Regarding the distribution of skimmed milk powder it was stated that the same would be considered after the commodity was made available in Bombay. The question regarding the grazing facilities was also under consideration. The Committee in their reply dated 16th December urged Government to increase the sources of supply of pure milk, to provide for a larger number of milch cattle in the city as also transport facilities for the same. It was also suggested that Government should provide against any inconsiderate slaughter of prime cattle with a view to increase the milk supply which was at present very inadequate. It was also stated that Government should immediately take in hand the question of providing adequate grazing facilities.

Export of Wheat from India.

In their communication dated 2nd July, addressed to the Government of India the Committee drew the attention to a press-note to the effect that quantities of wheat diverted to this country, but meant for other destinations, were now to be returned to the countries for which such stocks were meant. The Committee maintained that the stocks of wheat diverted to India were Australian wheat of inferior quality and the corresponding stocks now proposed to be sent to the original destination was Indian wheat which was much superior in quality, which was not fair to India at a time when there was acute wheat shortage. The Committee desired to know what exact quantities of the " borrowed wheat " were to be sent out and to what destination and at what price. The attention of the Government was also drawn to the fact that some quantities

of Indian wheat had been sent to places like Iran, Iraq, etc., which were greatly in need of the same. In view of the acute shortage of wheat in the country, the Committee suggested whether such stocks of Indian wheat sent to other countries should not be replaced in kind by His Majesty's Government who had acquired all the surplus stocks of Australian wheat, as India was not a surplus country with regard to the question of wheat.

The Government of India in their reply dated 22nd July, informed the Committee that as the stocks referred to above were not consigned to India, but reached India on account of fast voyages, they had to be returned to destinations for which they were meant. It was stated that an equivalent quantity of Indian wheat was despatched to the original destinations concerned and that there was no difference between the quality of wheat received and the wheat despatched.

Restriction on Export of White Edible Copra from the City and Suburbs of Bombay.

In their communication dated 16th December addressed to the Government of Bombay, the Committee referred to the restrictions placed on the export of edible copra from the limits of the city and suburban district and requested that the said restriction should be withdrawn inasmuch as the same would not help in increasing the supply of coconut oil in the city as edible copra was not used for crushing purposes. Besides Bombay was the chief importing centre of edible copra from Malabar, from where it was distributed to other upcountry centres. If the restriction complained of was not withdrawn, the supplies to places outside the Presidency would be affected. Government in their reply stated that the restriction was likely to be removed in near future.

Export of Oilseeds and Edible Oils.

A suggestion was made to the Committee that in view of the scarcity of foodstuffs and other articles which could be used as alternative foods, exports of groundnuts, oilseeds and other edible oils should be prohibited during the emergency. The Committee thereupon in a communication dated 21st January, addressed to the Government of India drew attention

to the position of production of groundnuts in the country as an instance and stated that there was very little surplus left for export which could be well utilised or stored in the country for being used as alternative foodstuff. The Committee maintained that a large variety of edible oils were essential items of foodstuffs in the dietary of the Indian people and it was likely that in view of the rise in prices of ghee such oils could be used for consumption by the public. Groundnut was also a popular food with the poor masses and the oil extracted from this was also similarly widely used. Reference was made to the difficulties in securing supplies of copra from Ceylon, which difficulty would be met if the oils above referred to were conserved for consumption of the public. They, therefore, urged that all exports of groundnuts, oilseeds yielding edible oils, etc., should be prohibited during the emergency.

In their further communication dated 19th August, addressed to the Government of India they drew the attention of Government to the ban on exports of groundnuts from Bombay while such exports were not prohibited from other ports and stated that the ban from the Bombay port would not serve the purpose if other ports were allowed to export this important commodity which could serve as a supplementary food in conditions of scarcity. They were of opinion that the country could not afford to export this commodity in view of the fact that the stocks held at present were very low. They also referred to the "Grow More Food" campaign and stated that groundnut oilcakes provided valuable manure. It was urged that exports of groundnuts from all ports should be prohibited in view of the unsatisfactory supply position of oilseeds.

The Government of India in their reply dated 15th November, informed the Committee that generally with regard to the export of oilseeds and vegetable oils, the restrictions had been further tightened up recently. With regard to groundnuts they stated that the quantity exported to U. K. and some other countries was very limited. The Committee in their further reply dated 25th November regretted that in view of the present food situation in the country even limited quantities of exports of groundnuts should have been allowed to U. K. and other countries. The available oilseeds like groundnuts and vegetable oils were essential articles of foodstuffs which supple-

mented the deficient dietary of the country. The poorer classes were accustomed to use these nuts as foodstuffs. The Committee urged the total prohibition of exports of such useful articles which should be treated on the same basis as food-grains.

Permission for Exports of Printed Silks to America.

The Committee in their communication dated 25th September, addressed to the Government of India referred to the permission being given by Government for export of Benares silk sarees made from hand-reeled silk yarn in small consignments and requested that Bombay silk mills should also be allowed similar facilities to export to America silk goods made from hand-reeled silk yarn manufactured in their mills. Government in their reply dated 4th October, informed the Committee that the concession in case of Benares silk sarees was given with a view to aid the Benares handloom silk industry which could not be extended to well-organised industrial concerns like the Bombay silk mills.

Licences for Export of Cotton Piecegoods to Australia.

In their communication dated 18th December addressed to the Government of India the Committee referred to the basis of export licences for piecegoods to Australia, viz. exports in the year 1941/42 and stated that such a basis for granting export licences would act adversely on newly established exporters, as business with Australia had started only recently and there were many parties who could not have to their credit previous exports. Such exporters should be allowed a quota for business with Australia in view of the great possibilities of further development of trade with that country after the war.

Export of Non-Essential Oilseeds.

The Committee in their communication dated 1st December, addressed to the Government of India, referred to the notification dated 13th November, issued by the Export Trade Controller, Bombay, outlining the procedure to be followed in regulating exports of non-essential oilseeds and oils. Under this notification licences for export would be granted on the basis of previous exports in the year 1941/42. The Committee in this connection pointed out that exports of such commodi-

ties to countries like Australia and New Zealand were lately developed and *bona fide* exporters interested in such exports would not be likely to produce previous exports as a result of which they would be debarred from being granted any licences for such exports under the above notification. It was represented that in respect of *bona fide* exporters, this provision of previous exports would react very unfavourably. Insistence on figures of past trade would constitute an injustice to established Indian exporters and therefore the Committee urged that as in case of exports to U. K., exports to Australia and New Zealand should also be allowed freely.

Exports of Articles of Foodstuffs to U.K. by Postal Parcels.

The Committee addressed on 4th December 1943, the Government of India requesting them to supply figures in respect of postal parcels containing articles of foodstuffs such as biscuits, raisins, foodgrains, etc., sent overseas as free gifts to friends and relations. They also desired to know whether there were any rules governing despatch of such postal parcels outside the country. Incidentally the Committee drew attention to the serious food shortage prevailing in the country and emphasised that Government should put a complete embargo on exports of any foodstuffs.

Control on Exports of *Gur* from U. P.

The Committee in their communication dated 2nd September, addressed to the Supply Commissioner, Government of Bombay, referred to the prohibition of exports of *gur* from the U. P. and desired to know whether in view of such prohibition the needs of the Bombay Province would be met as Bombay was importing *gur* from U. P. in the past. The Director of Civil Supplies, Bombay, in his reply dated the 23rd September, informed the Committee that the net import of *gur* from outside into Bombay Presidency amounted to 23,000 tons and the Government were taking steps to meet this deficit by importing *gur* from U. P. It was added that *gur* would be available in such markets of the province where U. P. *gur* was largely sold.

V. GENERAL.

Mahatma Gandhi's Fast.

The Committee sent a telegram to His Excellency the Viceroy on 10th February 1943, urging Government to set free Mahatma Gandhi unconditionally in view of the three weeks' fast announced by Mahatmaji which would prove dangerous to his life in view of his old age. It was emphasised that Mahatmaji's life was the most precious possession of the Indian people as also of the world and that the calamity should be averted by releasing him unconditionally. In another telegram dated 23rd February, addressed to His Excellency the Viceroy, the Committee deplored that Government had not found it urgent to release Mahatma Gandhi in spite of the nation-wide appeal. It was pointed out that if Mahatma Gandhi expired in jail, the relation between England and India would be embittered and a solution of the present deadlock would be hard to find. It was urged that Government should respond to the appeals of the country even at this eleventh hour and release Mahatmaji immediately.

Interview with the Hon'ble Sir Jwala Prasad Srivastava, K.B.E., Food Member of the Governor-General's Executive Council.

The Committee met the Hon'ble Sir Jwala Prasad Srivastava, the Food Member of the Governor-General's Executive Council, on 27th September 1943, when several questions regarding the food situation existing in the country were discussed.

Interview with Mr. A. D. Gorwala, I.C.S., Supply Commissioner, Government of Bombay.

The Committee had an interview with Mr. A. D. Gorwala, I.C.S., Supply Commissioner, Government of Bombay, on 23rd March 1943, when the supply position of articles of foodstuffs with particular reference to the introduction of rationing was discussed.

Food Situation in India.

On 9th October 1943, the Committee sent a telegram to the Government of India drawing their attention to the gravity

of the food situation in the country. They particularly referred to the interview they had with the Hon'ble the Food Member, Sir Jwala Prasad Srivastava and informed Government that they felt themselves hesitant to be convinced of the assurances of the Food Member in regard to the measures that were being taken to relieve the grave situation. They were of the opinion that the policy of helplessness adopted by Government with regard to the food situation was bringing on a state of frustration and chaos in the country. Reference was made to the non-co-operation by the provinces in the efforts made by the Central Government to impose a unified policy and drew serious attention to the fact that such condoning of the provincial irresponsibility would prove disastrous to the country. As a matter of fact there could be no justification in this policy of helplessness with regard to the food situation when other ordinances issued by the Central Government were faithfully being carried out by the Provincial Governments. The Central Government by losing their control over such recalcitrant provinces was going far away from their primary duty in saving the country in such a crisis. They pressed upon the Government of India to compile figures of surpluses in surplus provinces and deficits in deficit provinces and help the formation of an *ad hoc* Committee of non-official businessmen and economists with certain officials to give the required figures, statistics and other information. Such an *ad hoc* Committee, if need be, should be given statutory powers to deal with the question as a whole and the whole machinery of the Government of India should be placed at their disposal for efficiently carrying out their behests. The Committee refuted the plea of the Hon'ble Member for Food that this grave situation had arisen solely on account of hoarding, over-eating and tendency on the part of the consumers to buy their requirements for months in advance. They said that such an analysis was misleading and was adding insult to injury. The Committee felt themselves compelled to say under the circumstances that the Central and Provincial Governments had also been hoarding with a view to profiteering and they could not in fairness fasten the blame on the public who were passing through difficult times. If the foreign countries desiring to send foodstuffs to India demanded something in return, the suggestion of the Committee was that such reimbursement might be made from

the sterling balances lying with His Majesty's Government. They were of opinion that the " Grow More Food " campaign had fallen flat and the long-term measures contemplated by Government could not be of any avail in relieving the present situation and therefore pressed that imports from foreign countries should be immediately arranged to relieve the acute position in the country. His Majesty's Government should be persuaded to release certain amount of shipping to bring foodstuffs from Australia, Canada and U.S.A. The Committee felt that the food chaos should be considered as a military disaster and the promised help from the Australian Government with regard to the export of wheat should be immediately taken advantage of. A suggestion was also made that more and more use should be made of the Indian personnel for the administration of the Food Department as the foreign agencies had failed to bring any relief to the country. The Committee stated that the foreign armies stationed now in India should be fed on foodstuffs imported from their respective countries.

Government in their reply dated 12th October informed the Committee that the consumption of food grains by the non-Indian military personnel was inconsiderable. Further His Excellency the Commander-in-Chief had ordered that new troops coming into India should not be an additional burden on the food supply situation of this country. The Committee in their reply dated 21st October stated that not only that the new troops coming into India should be provided with food from their respective countries, but that all the foreign troops now in India should have their food supplies imported from their respective countries.

All-India Control on Food Grains.

On 5th July 1913, the Committee sent a telegram to the Government of India expressing their apprehensions regarding the reports that Government were considering the withdrawal of control on foodgrains from most of the provinces in the country. They pointed out that after having instituted a system of control in the country, withdrawal of the same would result in great suffering to the public. It would also lead to hoarding and spiral flight of prices of foodgrains. They referred to the rationing introduced in Bombay and the 20 lakhs of population which were being served under this rationing system and

stated that the consequences of withdrawal of rationing in the City would result in incalculable hardships to the City population who were now being guaranteed a rationed supply of necessities. It was urged that the surplus provinces should be persuaded to supply the deficit provinces with necessary foodstuffs and arrangements should be made for further supplies in order to meet the deficit that was facing Bombay. It was also urged that wheat should be imported from Australia to relieve the shortage.

Food Department to be under the Control of War Transport Board.

The Committee sent a telegram on 19th April protesting against the reported proposal of the Government of India to transfer Food Department from the charge of Commerce Department to the War Transport Board. They observed that the Food Department had to deal with grave and outstanding problems and to transfer such a big Department to War Transport Board would not be fair either to the Member himself or to the public. They added that the Food Department should either continue to remain in charge of the Commerce Department or be placed in charge of a special Member because the Department has its own problems which can only be solved by experienced businessmen who have an intimate acquaintance with the manners, customs, habits and sentiments of the millions of Indian people inhabiting in this country.

Appointment of Regional Food Commissioners.

In their telegram dated 19th April 1943, to the Department of Food, Government of India, the Committee protested against the appointment of non-Indians as Regional Food Commissioners on the ground that they would not be in a position to understand the sentiments and feelings of the consuming public. It was essential that Indians preferably with business experience be appointed as Regional Food Controllers, in order that the Scheme of Purchase and Distribution of Foodstuffs might be successful in the country. Government in their telegraphic reply dated 20th April, mentioned that the views of the Committee were given full and anxious consideration and added that the purpose of appointing these Regional Control-

lers was to ensure and execute the Central Government's policies and plans and to consult Provincial Governments. The Committee in a further communication dated 27th April, while fully appreciating the task and functions of the Regional Food Commissioners, as pointed out in Government's telegram, observed that Indian businessmen and non-official Indians in public life had shown their capacity for work in some of the highest offices under the Crown and that it was regrettable that Government did not recognise this aspect. The Committee emphasised that purchasing agents who had been appointed or were going to be appointed in different provinces should all be Indian firms. A further reply was received from the Government of India, Department of Food, dated 11th May, wherein it was stated that 6 Regional Food Commissioners had now been appointed, out of which, 3 were Indians. Regarding appointment of Purchasing Agents, the Committee were informed that a number of Indian firms had already been appointed and that the Provincial and States Governments would seek the assistance of business houses having experience in grain trade in this connection. The Committee in a further communication dated 27th May, emphasised the fact that these Regional Food Controllers should be conversant with the habits, manners and customs of the country, which they were called upon to serve. This was necessary at a time when the food question was particularly exercising the mind of Government and the public and they were of opinion that only suitable Indians selected for this important work would meet the requirements and qualifications necessitated for this particular job. It was urged that their suggestion should be seriously looked into in the interest of the country at large. Government in their reply dated 14th June informed the Committee that they had nothing to add to their reply dated 11th May in the same connection.

Purchase of Food-Supplies under the Government of India Scheme.

In a letted dated 19th April addressed to the Supply Commissioner, Government of Bombay, the Committee referred to the reply of the Government of India to the representation which the Federation of Indian Chambers of Commerce & Industry had made in connection with the appointment of agents for purchase of food-supplies under the Government of India

scheme. The Government of India in their reply to the Federation's representation stated that the Central Government were not responsible for the appointment of either the purchasing agents or the distributing agents in the various provinces. The Committee, therefore, requested the Government of Bombay to inform them as to the arrangements they had made with regard to the purchase and distribution of food-grains, and added that the appointments made under the Central Government's plan would amount to a serious interference in the normal inter-Provincial channels of trade, if the Purchasing Authority was not vested in the retail trade, which had been carrying on business since the last so many years. The Government of Bombay in their reply dated 23rd April, stated that the Government of India Procurement of Foodstuffs Scheme applied more properly to the surplus provinces and not to such deficit areas as the province of Bombay. The Government of Bombay had been making purchases of food-grains in the districts through their own officers and through two Indian firms.

Orders relating to the Control of Movement of Food-grains.

On 3rd March 1943, the Committee addressed the Supply Commissioner, Government of Bombay, requesting him to publish a consolidated statement regarding the orders in respect of restrictions imposed due to war conditions on movements of food-grains outside the jurisdiction of the City of Bombay, as also movements within the districts of the Presidency. Government in their letter dated 29th March 1943, informed the Committee that a Press-Note fully explaining the orders of the Government in so far as they applied to Bombay City and Bombay Suburban districts regarding possession, declaration, import, export and disposal of foodgrains was concerned, would soon be issued. With regard to the request of the Committee to publish orders relating to movement of foodgrains within the districts of the presidency, Government informed the Committee that it was not possible to issue a similar comprehensive Press-Note explaining the details of the Orders. They, however, assured the Committee that district magistrates were requested to issue Press-Notes on the model of the one proposed for Bombay and Bombay Suburban Districts. In a further communication dated 9th April 1943, the Committee reiterated their request and stated that the

existing unsatisfactory position was causing great inconvenience to the travelling public and as such, the situation regarding the Orders should be made as clear as possible in detail.

Food Requirements in Bombay.

In their telegram dated 30th September addressed to the Food Department of the Government of India, the Committee referred to the replies of the Hon'ble the Food Member at the recent interview they had with him and expressed apprehension that Government might not have taken into account the inadequate rice supplies for Bombay's requirements. It was stated that there would be a deficit of 2,50,000 tons of rice and 6,50,000 tons of millets so far as the Bombay Province was concerned which deficit the Government of India should bear in mind while allotting supplies for deficit provinces. The Committee particularly emphasised the rice position and seriously brought to the notice of Government that if proper steps were not taken to allot sufficient quantities of rice for Bombay, a position akin to Bengal might arise here also which was largely a rice-eating province. Government in their reply dated 9th October informed the Committee that Bombay's requirements regarding rice were receiving consideration.

Need for Increase in Sugar Ration.

On 2nd October 1943 the Committee addressed the Supply Commissioner, Government of Bombay requesting to take into consideration the present inadequate ration of 12 ounces of sugar per week per person and to increase the same to 16 ounces per head per week to meet the requirements of the public of Bombay. It was stated that if the present ration was continued, the health of the city was likely to suffer as sugar formed an important article of dietary. In the light of the ample stocks in the country and in view of the estimated increased production of sugar during the coming season, the present low ration was not justified. Government were also requested to allow a larger ration during the Diwali holidays when people might require more sugar. It was the opinion of the Committee that the self-denial imposed upon the public with regard to sugar ration was not necessary in view of the

present stock position in the country. The Government of Bombay in their reply dated 12th October informed the Committee that the supply of sugar was controlled by the Central Government and definite quotas were allotted to the different provinces and states. Although there was a 25% reduction in the normal distribution of sugar in the country, the reduction in the case of Bombay was only 18% less than the normal requirement. The request of the Committee with regard to increased sugar ration during Diwali holidays was refused by Government. The Committee thereupon addressed the Sugar Controller of the Central Government urging for an increased quota of sugar for Bombay city. It was urged that the supply position in the country as a whole in respect of sugar was very much satisfactory. In view of the carry-over of last year and the estimated crop in the present year, and in view of the considerable stock at the disposal of Government, Bombay Presidency should be allotted a quota which would enable an increase in the existing basis of ration of the Bombay city.

Shortage of Foodgrains and Sugar in Surat District.

In their letter dated 23rd July addressed to the Supply Commissioner, Government of Bombay, the Committee supported the representations of the Surat Chamber of Commerce appealing for more supply of foodgrains and sugar for the Surat districts, which had stocks that would only last for one month. The Committee urged that due consideration should be given to the representations of the Surat Chamber of Commerce regarding the above, as otherwise, the district would face a serious situation in the very near future. The Director of Civil Supplies in his reply dated 27th July informed the Committee that an allotment of 500 tons of wheat from the Punjab had been made to the District of Surat and that 300 tons had been actually delivered during the last week. A further supply of 200 tons was also being despatched from Bombay for Surat City. With regard to the sugar quota for the district, the reply stated that the quota for the district was fixed on the basis of the requirements of the urban and rural population of the district and it was left to the District Magistrate to decide in the matter.

Requirements of Sugar for Confectionary and Biscuits for Messrs. Parle Products Manufacturing Company.

It was brought to the notice of the Committee that Messrs. Parle Products were not getting their usual quota of 111 bags of sugar per week. The Committee, thereupon, addressed a letter to the Supply Commissioner, Government of Bombay, on 7th April 1943, pointing out the disabilities under which Messrs. Parle Products Manufacturing Company were suffering for want of adequate quota of sugar bags. Government in their reply dated 3rd May 1943, informed the Committee that sugar quota of Messrs. Parle Products Manufacturing Company was fixed in accordance with the Government allotment of sugar to Bombay City. In addition to this, they were given special quota to meet their military requirements. In a further communication dated 17th May, addressed to the Government of Bombay, the Committee desired to know the basis on which allotment of sugar to Bombay City was being made and whether there was any recent reduction in regard to that basis. They also stated that recently the population of Bombay had increased greatly and desired to know whether in view of this, Government had increased the quota for civilian consumption as well as for manufacturing needs. They also desired to know whether the special quota given to Messrs. Parle Products Manufacturing Company with regard to military requirements was allotted from the military quota or from the total quota reserved for civilian allotment. It was added that military requirements, however, as understood by the Committee were provided directly by the Central Government. Government in their reply dated 14 June informed the Committee that " the quota of sugar allotted to the province by the Government of India has been distributed between Bombay city and districts in proportion to the estimated normal consumption of those areas. Due note of the increase in population has also been taken." Further, the amount of sugar allotted to the Parle Products Mfg. Co., for military requirements was not supplied from civilian quota. Military requirements in the province with regard to sugar were separately supplied by the Central Government and not included in the civilian quota.

Supply of Wheat Flour for Manufacture of Biscuits.

The Committee invited the attention of the Supply Commissioner, Government of Bombay, on 16th June 1943, to the quota of wheat given to the Parle Products Mfg. Co., for the manufacture of biscuits both for military and civil requirements. It was presumed by the Committee that the wheat quota granted to Parle Products might have been reduced by Government on the plea that consumption of biscuits by the public would take away a portion of wheat meant for distribution under the rationing scheme for the city. The indirect result of this was that the import of biscuits from other provinces had increased into the city and that the permanent clientele of the biscuit factories in Bombay was going over for the imported biscuits, thus putting the factories out of market. The Committee suggested as a remedy that a particular quantity of wheat might be fixed as forming a quota equal to a particular quantity of biscuits as was done in the case of bread. If this suggestion was accepted by Government the rationing scheme of the city would not be disturbed, while at the same time, the biscuit factories in the city would be having their share of the business. Further, such wheat stocks released for civilian consumption might be countered by apportioning imported supplies of biscuits for military demand to that extent. Such a procedure, it was believed, would help the biscuit manufacturers in Bombay to retain their hold on the civilian market without upsetting the rationing scheme in the city.

Slaughter of Prime Cattle in the Country.

As mentioned in the Summary Report of the Chamber for 1942, the Committee addressed a letter to the Government of India, Education, Health and Lands Department on 16th December, requesting them to supply figures in respect of slaughter of cattle in India for 1940, '41 and '42 as also figures of the number of cattle slaughtered before the war. They also requested Government to supply figures of the number of cattle slaughtered after the instructions referred to in the Government Press Note of 18th November were issued. The Government of India in their letter dated 23rd March 1943, expressed their inability to accede to the request of the Committee.

In this connection, the Committee in their letter dated 15th October addressed to the Government of India, referred to the Government Order under which slaughter of working bullocks in good state of health below the age of 10 years, cows in milk and pregnant would be prohibited and desired to know whether representatives of important institutions or representative individuals would be allowed admission to slaughter houses both civil and military for purposes of ascertaining whether the conditions stated in the Order were being carried out. They also desired to know whether cows not in milk nor pregnant at the time but below the age of 15 years would be allowed to be slaughtered. Suggestion was also made that the foreign army stationed in India might well be supplied with meat imported from their respective countries in view of the fact that the food situation in India was becoming very grave, and that India was not at present in a position to sacrifice prime cattle for slaughter purposes. The Committee also addressed the Humanitarian League, Bombay, in this connection requesting them to draw their attention to any malpractices in connection with the carrying out of the terms of the Government order.

The Bombay Humanitarian League in their letter urged upon the Committee the necessity for giving the force of law to the Government press-note prescribing conditions under which slaughter was allowed as also of making the Provincial Governments to conform to such legislation. They also suggested various remedies to relieve the situation arising out of the slaughter of prime cattle. The Committee thereupon sent a telegram to the Government of India on 18th November drawing attention to the fact that the terms of the Government press-note were not being observed nor enforced at the slaughter houses, both civil and military. It was urged that legal sanction should be given to the press note and that provincial Governments and the Indian States should be compelled to conform to the same. The Committee also addressed the Government of Bombay on 25th November on the question, making reference to their previous correspondence with regard to the inadequacy of milk supply in the city. They also referred to their correspondence with the Government of India in connection with the press-note referred to above. They also brought to the notice of Government that at present there were no restrictions of a legal character which would apply either to the

slaughter houses both civil and military or to private slaughter, to prevent indiscriminate killing of prime cattle. Government were requested to move in the matter without delay urging that any infringement committed in this regard should be made a penal offence. Government were also urged to publish from time to time figures relating to import and slaughter of milch cattle in Bombay. It was hoped that Government would pay heed to their above suggestions as otherwise the position of milk supply in the city and the presidency would be seriously jeopardised if useful cattle were slaughtered indiscriminately.

Women Yoked to Ploughs in the Fields.

At the instance of the National Council of Women in India, the Committee addressed the Government of India on 22nd December drawing their attention to a press report that women were being used in place of bullocks to plough the fields for cultivation in Hissar District on account of the abnormal rise in the prices of bullocks there. The Committee strongly protested against women being subjected to this inhuman treatment which was undesirable from medical, social and economic points of view. They referred to their previous communication regarding the great scarcity of bullocks in the country and the abnormal prices charged as a result of the same and emphasized that the recent Order issued by the Government of India in connection with the indiscriminate slaughter of prime cattle in the country should be immediately acted upon.

Draft Agreement re: United Nations Relief and Rehabilitation Administration.

The Committee in their telegram dated 3rd November addressed to the Government of India referred to the draft agreement for United Nations' Relief and Rehabilitation Administration and protested against committing the country to the scheme of relief underlying the agreement, as public opinion had not been consulted in the matter as also the Central Legislature was not taken into confidence. Having regard to the grave situation now existing in the country with regard to foodstuffs and other articles of necessity, they were of opinion that India was not in a position to make any contribution to

133701

relief and rehabilitation elsewhere until conditions had improved in the country. They desired to know whether any assistance given in this connection would be on the basis of a *quid pro quo* at a later date. It was also desired that India should have direct representation on the Committee of the Council for the Far East. It was further emphasised that the areas receiving relief from this country should undertake to safeguard as part of their obligations under the agreement, the status, rights and privileges of Indians. Besides only national agencies should be considered as proper channel for carrying out the relief contribution from India. The Committee requested Government to issue a clarificatory statement regarding the above points raised in the telegram. Government in their reply dated 9th November informed the Committee that the agreement would be signed on behalf of India subject to the same being ratified by the Central Legislature.

Post-war Requirements of Machinery.

In their circular dated 26th October, the Industries and Civil Supplies Department of the Government of India desired various industries to forward to Government a list of machinery that would be required by them during the immediate two years after the war and for which they would place orders overseas. The information was circulated amongst the members of the Chamber.

Indian Delegation to U.K. and U.S.A.

In their communication dated the 11th October 1943, addressed to the Government of India, the Committee referred to the personnel of the deputation to be sent by Government on a lecture tour to U. K. and U. S. A. and drew attention to the fact that the personnel comprising the delegation was unrepresentative as a result of which the true picture of the Indian situation was not possible to be placed before the public of the two countries that were being visited by the delegation. It was also stated that the official nominees comprising the delegation were not the persons suitable to represent Indian affairs in foreign countries.

Women Jurors and Proposal to Extend the Privilege to Foreigners.

In their communication dated 12th October addressed to the Prothonotary and Senior Master, Bombay High Court, the Committee welcomed the admission of women as jurors with certain qualifications. They, however, objected to the extension of this privilege to the women subjects of the U.S.A. as the corresponding privilege was not being enjoyed by Indians as jurors in the U.S.A. It was, therefore, urged that the privilege granted to women subjects of U.S.A. as jurors in India was considered unjustified.

Naturalization Rights for Indians in U.S.A.

In their letter dated 10th November addressed to the Government of India the Committee referred to the granting of naturalization rights in U. S. A. to the Chinese and desired to know whether Government had moved to secure such naturalization rights for Indians in U. S. A. and if so with what result.

Indian Merchants and Re-entry into Abyssinia.

The Association of Indian merchants in Abyssinia and Eritrea formed in Bombay, represented to the Committee that serious difficulties were being experienced in securing permits for Indian traders and craftsmen, who were trading and living in Abyssinia before the Italian occupation, for re-entry into that country. The Committee thereupon, in their communication dated 31st May, addressed to the Government of India, drew attention to the place these Indian traders and craftsmen filled before Italian occupation in the economy of the country and stressed the fact that a grave injustice would be done to them, if any difficulties were placed in the way of their re-entry into the country, as the country was now in possession of the Abyssinian Government who were an Ally of the British Government. It was urged that Government of India should take up the case of these unfortunate Indians with the Government of Abyssinia and secure permits for them to re-enter Abyssinia freely.

Government in their reply dated 6th July informed the Committee that they would not be able to take up this matter until such time as the shipping situation improved.

Government in a further reply dated 13th September informed the Committee that Indian traders in Ethiopia outnumbered those of any other foreign nationality and as Ethiopian trade was reduced to a small scale owing to shipping difficulties, the present restrictions could not be removed. They therefore felt that it was not expedient at the present time to press the Ethiopian Government to revise their immigration policy. The Committee in their reply dated 29th September regretted that it was not possible for Government to heed to the many requests for the just treatment of Indians with regard to the question of re-entry into Abyssinia. Indians had helped to build the economy of Abyssinia in a large measure and that they had quitted the country at the behest of the British Consul. Now that Ethiopian Emperor had been reinstated with the help of the British, the Committee considered it a grave error of judgment to discriminate against Indian traders, whose countrymen had fought for the reconquest of Ethiopia. The shipping situation had also eased and therefore re-entry of Indians into Abyssinia should be made possible by both the Governments in the interests of the country itself.

Census of Evacuees from Burma.

The Committee in their communication dated 14th October addressed to the Government of India referred to the Government proposal to have a census of evacuees from Burma. The Government communique in this connection stated that only those persons who entered India after 8th December 1941, would be considered as evacuees. The Committee requested that cases of certain classes of persons who left Burma earlier should also be taken into consideration. The Government of India in their reply dated 23rd October informed the Committee that the definition of evacuee would include persons who arrived from territories to the east of India within three months before 8th December 1941. They, however, stated that under the extended definition such persons would be enumerated on a voluntary basis, i.e., such persons would have to apply themselves to be included in the census.

Bevin Training Scheme.

In their communication dated 21st January 1943, addressed to the Government of India, the Committee desired to have de-

tailed information regarding the progress of the Bevin Boys Training Scheme for Indian technicians for training in factories in the U.K. They also desired to know whether any employees of industrial organizations in the country could be sent out for training in a particular line of work under the scheme. It was suggested that if such opportunities were afforded, the industry would be greatly benefited, as there was a lack of efficient technical men in the country, which lacuna could be met if under such a scheme opportunity was afforded to employees in industrial organisations for training. The Government of India in their reply dated 24th February gave the following information :—During the last two years 304 trainees had been sent out to the U.K. of whom 204 had returned to India with a single exception, out of which 192 had been posted in various capacities. The trainees on an average were able to get after their return 198% higher salaries than their previous wages. The Committee were informed that henceforth 25% of the numbers in the future batches of Bevin Boys would be reserved for men recommended by private firms engaged on war work. The firms sending employees would be required to give a 125% rise in the salaries of the employees after their return. The Committee in their reply dated 17th March reiterated their suggestion made in their previous communication that the firms which were not engaged on war work should also be allowed to send their employees for technical training under the scheme which would greatly benefit the country in the future post-war reconstruction because technical men would be greatly in demand to fill posts in industrial undertakings.

Government in their reply dated 3rd April 1943, invited the Chamber to suggest a more precise indication of the types of training which they would like to see introduced as part of the Bevin Training Scheme. It was further added that all Industrial undertakings in the United Kingdom were given over entirely to war production of one kind or another and that it would not be feasible to ask the Ministry of Labour to undertake the training of men in work which was not essential to war.

Shortage of Small Coins.

The Committee, in their representations dated the 28th August 1943, addressed to the B. B. & C. I. and the G. I. P.

Railways, referred to the practice adopted by the station staffs in rounding off of third-class fares to the nearest half-an-anna. They also referred to the discussion of this question in their respective Local Advisory Committees where an explanation was given that the practice was introduced at the instance of the Reserve Bank of India for meeting the difficulty of securing small change. The Committee, in view of the improvement in the situation in respect of small coins, urged that the practice should now be discontinued as the Reserve Bank was also now in a position to meet the full requirements of the railways in respect of small coins.

The B. B. & C. I. Railway in their reply dated 27th September informed the Committee that they had referred the matter again to the Reserve Bank of India requesting them to let them know whether the bank was in a position to meet the requirements of the public for quarter-anna pieces to which the bank had advised that although the situation had eased to a certain extent, they were not in a position to meet the full requirements of the public. Under the circumstances the Railway regretted that it was not in a position to discontinue the practice above referred to.

Shortage of Building Accommodation in Bombay.

In their letter dated 22nd December addressed to the Government of Bombay, the Committee suggested that the total restriction placed on the building activity in the city should be partially removed and that a few buildings should be allowed to be erected for the use of the middle-class people. It was stated that the percentage of building materials so allowed for erection of private dwellings diverted from military use would be negligible. The military, in fact, were not using round steel bars for their building purposes, a large stock of which was at present available in the city. Cement required for building purposes was also available. The Committee referred to the serious shortage of building accommodation in the city which had resulted in great hardship to the middle-class people which required to be relieved as early as possible.

Services of the Officers of the Government of India in Foreign Countries.

In their communication dated 23rd December 1943, the Committee enquired of the Government of India whether the services of any of the officers of the Government of India had been lent to any of the neighbouring countries as also whether Government were responsible for their pensions, Provident Funds, etc., during the period of their absence.

Admissions in the Sydenham College of Commerce and Economics.

The Committee in their letter dated 16th July addressed to the Government of Bombay drew attention to the increased difficulties experienced by students with regard to admissions in the Sydenham College of Commerce and Economics. The Committee emphasised the importance of commercial education at the present time and stressed that increased facilities should be granted for more admissions. Their attention was drawn to the fact that many students desiring to enter the college were being refused admission, as there was no room for them. To obviate this difficulty, it was suggested that the proposal for a new building which would accommodate a greater number of students should be immediately acted upon. At any rate, the Committee felt that students desiring to pursue commercial careers should be given every encouragement and admissions should be given freely which would ultimately result in a larger number of trained people available for business jobs. It was also suggested that special facility for admission should be granted to students coming from families interested in business and industry.

Government in their reply dated 6th September informed the Committee that the maximum possible number of students had been admitted to the College in the current year. It was added that no new additions to the college building were possible under the present circumstances whereby increased accommodation could be made available. The Committee were also apprised of the fact that applicants having business connections were being given preference.

Exclusion of Company Law from the Curriculum of the Second LL.B. Examinations.

The Committee in their letter dated 2nd September 1943, addressed to the Registrar of the University of Bombay, referred to the recommendation made by the Board of Studies in Law to the Academic Council of the University that the subject of Company Law be omitted from the curriculum of the Second LL.B. Examinations, on the plea that the curriculum was too heavy for the students. The Committee objected to the proposal on the ground that the study of Company Law was essential for those who might be intending to take commercial careers or be in future employed in commercial organizations. Subsequently the Committee was informed that the above proposal was dropped.

Sir Purshotamdas Thakurdas as Representative of the Chamber on the Bombay Port Trust.

The Committee passed the following Resolution appreciating the services of Sir Purshotamdas Thakurdas, who represented the Chamber for nearly 20 years on the Board of the Bombay Port Trust.

"The Committee of the Indian Merchants' Chamber place on record their deep appreciation of the great services rendered by Sir Purshotamdas Thakurdas, as their representative on the Bombay Port Trust. Sir Purshotamdas, who is one of the oldest members of the Chamber, has been representing the Chamber on the Board of the Bombay Port Trust for the last 20 years, and has, during that period, helped the cause of the business community with regard to the work that is being done by the Port Trust."

Election of the Chamber's Representative on the Bombay Municipal Corporation.

Mr. Bhawanji Arjun Khimji, M.L.A., had been elected without contest as the representative of the Indian Merchants' Chamber on the Bombay Municipal Corporation.

Representative of the Chamber on the Indian Sailors Home Society.

The Committee re-elected Mr. M. A. Master, as the representative of the Chamber on the Committee of Management of the Indian Sailors Home Society, Bombay, for a term of two years from November 1943.

Election of the Chamber's Representative on the Royal Institute of Science Advisory Committee.

Dr. K. A. Hamied, M.A., PH.D., (Berlin), M.I.C., was elected as the representative of the Indian Merchants' Chamber on the Advisory Committee of the Royal Institute of Science for the term ending 31st December 1943, *vice* Dr. M. S. Patel resigned, and subsequently re-elected for the fresh term of 3 years beginning from 1st January 1944.

Chamber's Representative on the Advisory Committee of the Podar College of Commerce.

The Committee nominated Sir Chunilal B. Mehta, as their representative on the Advisory Committee of the Podar College of Commerce *vice* Mr. M. C. Ghia, resigned.

Advisory Committee for the Export of Piecegoods and Yarn.

The Committee nominated Mr. Haridas Madhavdas, President, as their representative on the Advisory Committee appointed by the Government of Bombay regarding allocation of export quotas for piecegoods and yarn.

Advisory Committee of Manufacturers of Engineering Stores.

The Government of India accepted the nomination of two gentlemen on behalf of the Chamber on the above Advisory Committee, viz. Mr. N. W. Gurjar and Mr. V. M. Meswani.

Draft Resolutions for the 16th Annual Session of the Federation of Indian Chambers of Commerce & Industry.

The Committee forwarded to the office of the Federation draft resolutions under the following heads for inclusion in the agenda for the 16th Annual Session of the Federation :

1. Food supplies.
2. Registration of Trade Marks.
3. Allocation of war expenditure.
4. India and agreements relating to post-war policy.
5. Financial position.
6. Political situation.
7. New Standard Time.
8. Income-tax on life insurance business.

Delegates to the 16th Annual Session of the Federation of Indian Chambers of Commerce & Industry.

The Committee nominated the following gentlemen as delegates to attend the 16th Annual Session of the Federation of Indian Chambers of Commerce and Industry:

Mr. Haridas Madhavdas (President).
Mr. Pranlal Devkaran Nanjee (Vice-President).
Mr. J. C. Setalvad.
Hon. Sir Rahimtoola M. Chinoy.

Indian National Committee, International Chamber of Commerce.

The Committee nominated Mr. Haridas Madhavdas, President, to attend, on behalf of the Chamber, the 14th session of the Indian National Committee of the International Chamber of Commerce at Delhi.

Increased Membership Subscription for Joint-Stock Companies

At the Third Quarterly General Meeting of the Chamber a resolution was passed whereby the membership subscription of joint-stock companies was increased from Rs. 100 to Rs. 125 per annum.

Commercial Examinations.

The Commercial Examinations conducted by the Chamber in the various centres in India were held from 3rd May 1943. The total number of candidates appeared at these examinations was 642. Out of this 77 passed in Diploma subjects while 265 passed in Certificate subjects. Forty candidates were granted exemptions in various subjects. Fifty-five recognized institu-

tions sent candidates for the examinations as against the same number last year. The examinations were held in the following 21 centres :—

Bombay	Mysore	Nagpur
Poona	Bangalore	Junagadh
Ahmedabad	Trichinopoly	Delhi
Surat	Palghat	Lahore
Karachi	Dewas (J. B.)	Lashkar
Beawar	Madras	Moradabad
Calcutta	Mangalore	Jafarabad

The Committee gratefully accepted an endowment of the sum of Rs. 1,800 from Sheth Pranlal Devkaran Nanjee on behalf of the Devkaran Nanjee Banking Co. Ltd., for the purpose of awarding annually a prize to the best candidate in the Banking Diploma Examination of the Chamber. Accordingly, a prize was awarded this year. Two prizes were also awarded to the first two successful candidates under the L. R. Tairsee Memorial Prize Scheme.

Membership of the Chamber.

At the beginning of the year there were on the Register 821 members. During the year 272 (including two Patron Members) members were elected and 11 discontinued their membership (10 having resigned, and one having been struck off from the rolls). There are thus 1,082 members now on the Roll.

It may be mentioned that there are at present 57 Associations affiliated to the Chamber.

During the year Messrs. Chunilal Mehta & Co. Ltd., Bombay, and Messrs. Devkaran Nanjee Banking Co. Ltd., Bombay, joined the Chamber as Patron Members.

Accounts.

The Statement of Accounts of the Chamber for the year ended 31st December 1948 with the auditors' report, is annexed hereto. It will be observed that a sum of Rs. 3,757 has been received as contribution from the representatives of the Chamber on various public bodies. The best thanks of the Committee are due to the gentlemen who have made these contributions.

THE INDIAN MERCHANTS' CHAMBER

Balance Sheet as at 31st December, 1943.

LIABILITIES	Rs.	a.	p.	Rs.	a.	p.	PROPERTY & ASSETS	Rs.	a.	p.	Rs.	a.	p.
CAPITAL FUND AND OTHERS:							**FURNITURE & FITTINGS AT COST :**						
CAPITAL FUND:							Upto 31-12-1942	19,931	13	6			
							Additions during the year	269	8	0			
Admission fee of ordinary members upto 31-12-42	66,400	0	0					20,201	5	6			
							Less Depreciation Rs. upto 31-12-42 3,750 During the year 1,495	5,245	0	0			
Admission fee of ordinary members during the year	13,660	0	0								14,956	5	6
	80,000	0	0				**MEASUREMENT DEPARTMENT :**						
Patron fee upto 31st December 1942	5,000	0	0				Furniture and Fittings at Cost upto 31-12-42	677	12	0			
							Additions during the year	48	0	0			
Patron fees received during the year	10,000	0	0					725	12	0			
				95,000	0	0	*Less* Depreciation Rs. upto 31-12-42 35 During the year 51	86	0	0			
Contribution from Messrs. Narrondass Manordass	...			20,000	0	0					639	12	0
FUNDS EARMARKED FOR LIBRARY:							**BOOKS FOR LIBRARY:**						
							upto 31-12-42	24,988	0	9			
Sir Ibrahim Rahimtoola Entertainment Fund	1,300	0	0				Additions during the year	739	12	5			
								25,727	13	2			
Sir Purshotamdas Thakurdas Entertainment Fund	439	5	0				*Less* Depreciation Rs. Upto 31-12-1942 4,978 During the year 1,875	6,853	0	0			
B. F. Madon Portrait Fund	534	8	0								18,874	13	2
Donation by Currency League of India	624	6	6				Subscriptions due from members				2,850	0	0
				2,898	9	6	**ADVANCES :**						
							Deposit with Central Publication Branch, Delhi	46	1	9			
L. R. TAIRSEE MEMORIAL FUND:							Loan to Staff	3,364	0	0			
Donation	3,000	0	0								3,410	1	9
Surplus of Income	56	9	11				**INVESTMENTS :** (Government Securities, etc. at Cost)						
				3,056	9	11	**CAPITAL FUND** Rs. a. p.						
DENA BANK PRIZE FUND :							5% Loan (1945-55) of Rs. 5,000	5,425	0	0			
Donation	1,800	0	0				5% Municipal Loan (1959) of Rs. 10,000	8,862	8	0			
Interest	23	6	0				3½% Loan (1947-50) of Rs. 29,000	30,848	12	0			
				1,823	6	0	3% Loan (1951-54) of Rs. 10,000	9,996	14	0			
Commercial Museum Fund	...			50	0	0	3½% Loan (1842-43) of Rs. 10,000	9,656	4	0			
Sundry Creditors for expenses	...			1,137	5	0	Loan to L. N. Memorial Trustees	14,000	0	0			
Subscriptions received in advance from members	...			1,175	0	0	In Current Account with Central Bank of India Ltd.	16,210	10	0			
Suspense (arbitration)	...			100	0	0					95,000	0	0
J. C. Setalvad Portrait Fund	...			1,601	0	0	**GENERAL :**						
INCOME AND EXPENDITURE ACCOUNT :							4% Port Trust Bonds (1969) of Rs. 2,000	2,025	0	0			
Balance as at 31st December 1942	1,62,609	14	9				2½% Loan (1948-52) of Rs. 20,000	20,025	0	0			
Add : Excess of Income over Expenditure (as per annexed Account). (Subject to Taxation)	23,025	7	8				3½% Loan (1947-50) of Rs. 9,000	9,573	12	0			
				1,85,635	6	5	5% Loan (1945-55) of Rs. 20,000	21,950	0	0			
							3% Loan (1951-54) of Rs. 15,000	14,995	5	0			
							3½% Loan (1842-43) of Rs. 10,000	9,656	4	0			
							3½% B. P. C. L. M. Bk. Deb. (1957-62) of Rs. 30,000	30,825	0	0			
							Loan to L. N. Memorial Trustees	31,000	0	0			
											1,46,050	5	0
							COMMERCIAL EXAMINATIONS PRIZE FUND :						
							4% Loan (1966-70) of Rs. 2,800 — L. R. T. Memorial Fund	2,996	0	0			
							3½% Loan (1865) of Rs. 1,800 — Denabank	1,800	0	0			
											4,796	0	0
							CASH AND OTHER BALANCES :						
							In Current Account with Central Bank of India, Ltd.	16,274	3	1			
							In Current Account with Bank of India, Ltd.	15,265	4	6			
							Cash and Cheques on hand	560	1	10			
											32,099	9	5
	Total Rs.			3,12,476	14	10				Total Rs.	3,12,476	14	10

Bombay, 5th January 1944.

DEVIDAS VITHALDAS & CO.,
Registered Accountants & Auditors.

THE INDIAN MERCHANTS' CHAMBER

Dr. *Income and Expenditure Account for the year ended 31st December, 1943.* *Cr.*

EXPENDITURE				Rs.	a.	p.	INCOME				Rs.	a.	p.
To:—							By:—						
Office Establishment	...	...	...	44,368	4	0	Membership Subscriptions			78,375	0	0	
Insurance Heating & Lighting Charges			...	370	1	2	*Less*: Bad Debts			50	0	0	
Telephone Charges	...	...	...	972	9	0				78,325	0	0	
Postage and Telegrams	...		...	3,650	3	3	*Add*: Received from 2 members changed to Patrons and 1 member resigned			300	0	0	
Stationery	...	...	...	1,775	1	6							78,625 0 0
Printing Reports, etc.	...	...	...	8,802	11	6	Contributions from Chamber's Representatives on various Public Bodies			...	...		3,757 2 0
Do. Journal	...	...	...	7,672	1	0	COMMERCIAL EXAMINATIONS:						
COMMERCIAL EXAMINATIONS:	Rs.	a.	p.				Examination Fees			5,976	4	0	
Remuneration to Examiners, Centre Expenses, etc	2,365	6	6				Sale of Syllabus and Question Papers			151	13	0	
Printing & Stationery	1,665	4	0				Advertisement in Syllabus			150	0	0	
Postage	290	12	6				Fees for recognition of Commercial Institutions			635	0	0	
				4,321	7	0							6,913 1 0
Subscriptions to Newspapers and Periodicals			...	1,174	4	3	Interest on Investments and Current Accounts				...		6,326 11 4
Upkeep of Library, including Binding Charges			...	38	0	0	Fees for issuing Certificates of Origin, etc.				...		4,888 0 0
Conveyance Charges	...	...	...	404	10	6	Advertisements in Journal				...		3,117 8 0
Chairs, etc. Hire	...		...	92	4	0	Subscriptions to Journal				...		351 9 6
Commission on Advertisements		...	...	322	12	0	Sale of Members' List, etc.				...		218 0 0
Auditors' Honorarium	...	...	...	200	0	0	Sundry Receipts	...	...		...		33 14 0
Repairs to Typewriters, etc.		...	...	121	2	0	Measurement Fees	...	...		...		26,142 7 6
Membership Subscription to the Federation of Indian Chambers of Commerce and Industry			...	200	0	0							
Do. to the Indian National Committee of the International Chamber of Commerce				33	0	0							
Contribution to the Indian Chamber of Commerce in Great Britain			...	29	0	9							
Bank Commission	...	...	...	32	5	6							
Travelling Expenses	...	...	...	554	11	3							
Income-tax and Super-tax		...	...	4,991	10	0							
Miscellaneous Expenses	...	...	...	870	1	0							
Safe Custody Charges	...	...	...	121	0	0							
Rent and Maintenance Charges of Surat Office			...	336	0	0							
MEASUREMENT DEPARTMENT:													
Salaries and Wages	...	15,782	14	0									
Rent of Dock Bhongi	...	225	0	0									
Rebate of Fees	...	5,144	3	0									
Printing and Stationery	...	622	0	0									
Postage	...	23	14	0									
Conveyance Charges	...	82	4	6									
Petty Charges	...	586	6	6									
				22,466	10	0							
A. R. P. Measures	...	...	...	7	0	0							
DEPRECIATION:													
Furniture and Fittings		1,495	0	0									
Library Books		1,875	0	0									
Furniture & Fittings (Measurement Dept.)		51	0	0									
				3,421	0	0							
				1,07,347	13	8							
Balance being excess of Income over Expenditure transferred to Balance Sheet (subject to taxation)	...	...	...	23,025	7	8							
	Total Rs.			1,30,373	5	4		Total Rs.					1,30,373 5 4

We have audited the foregoing Balance Sheet of the Indian Merchants' Chamber as at 31st December, 1943, and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(*a*) we have obtained all the information and explanations we have required;

(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;

(*c*) we have verified the Investments; and

(*d*) such Balance Sheet exhibits a true and correct view of the state of the Chambers' affairs according to the best of our information and explanations given to us and as shown by the books of the Chamber.

DEVIDAS VITHALDAS & CO.,
Registered Accountants & Auditors.

Bombay, 5th January 1944.

HARIDAS MADHAVDAS,
President.

J. K. MEHTA,
Secretary.

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Balance Sheet as at 31st December, 1943.

FUNDS & LIABILITIES				Rs.	a.	p.
Contribution from Donors:—						
As per Last Balance Sheet			...	1,81,039	12	0
Loan secured by Hypothecation of Documents. (The Indian Merchants' Chamber)			...	45,000	0	0
Interest accrued on above			...	1,175	0	0
Liabilities:	Rs.	a.	p.			
For Building Construction	3,000	0	0			
For Expenses	2,005	8	0			
For Rent Deposits	780	0	0			
				5,785	8	0
Revenue Account:						
As per Last Balance Sheet	9,002	8	6			
Surplus during the year (Subject to Depreciation and Income-tax for 1942-43).	4,829	12	1	13,832	4	7
		TOTAL Rs.		2,46,832	8	7

PROPERTY & ASSETS				Rs.	a.	p.
Building at Cost:	Rs.	a.	p.			
As per Last Balance Sheet	2,35,473	7	11	2,35,473	7	11
Rents Outstanding:						
Considered Good ...	...		...	600	0	0
Loan to Employee ...	...		...	25	0	0
Prepaid Expenses ...	...		...	1,588	15	6
Cash Balances:						
Cash at Bank Current A/c.	9,023	14	8			
Cash on Hand ...	121	2	6	9,145	1	2
	TOTAL Rs.			2,46,832	8	7

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Revenue Account for the year ended 31st December, 1943.

	Rs.	a.	p.		Rs.	a.	p.
To Ground Rent	7,474	2	11	By Rent	23,050	0	0
„ Municipal Taxes	6,327	11	6	„ Interest of Current Account	16	15	0
„ Gas and Electric Charges	819	10	6				
„ Fire Insurance	189	11	0				
„ Salaries and Wages	1,580	2	6				
„ Maintenance and Repairs	484	8	0				
„ General Charges	177	8	6				
„ Postage and Stamps	8	12	0				
„ Interest	1,175	0	0				
	18,237	2	11				
Surplus during the year	4,829	12	1				
TOTAL Rs.	23,066	15	0	TOTAL Rs.	23,066	15	0

We have audited the foregoing Balance Sheet of the Lalji Naranji Memorial Indian Merchants' Chamber Building Trust as at 31st December 1943 and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that:—

(*a*) we have obtained all the information and explanations we have required;

(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;

(*c*) we have verified the investments; and

(*d*) such Balance Sheet exhibits a true and correct view of the state of the Trust's affairs according to the best of our information and the explanations given to us and as shown by the books of the Trust.

Bombay, 5th January, 1944.

Devidas Vithaldas & Co.
Registered Accountants,
Hony. Auditors.

J. K. Mehta
Hony. Secretary.

(1) Chaturbhuj Gordhandas Soonderdas
(2) Mathuradas Vissanji
(3) Gordhandas G. Morarji
(4) J. C. Setalvad
(5) M. C. Ghia
} *Trustees.*

APPENDICES

I.—TRANSPORT AND COMMUNICATIONS

APPENDIX I

Licensing of Ships on the Indian Register

Telegram dated 23rd September 1943 from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber are given to understand that Government propose introducing a system of licensing of ships on Indian register. After requisitioning almost all Indian ships the proposal for licensing of very few free ships now running will mean in practice not only general requisitioning but introduction of such system will also in many cases impose burdens worse than those imposed by requisitioning. Moreover, licensing will mean not only restrictions on movement of ships but also in nature of cargo to be carried by them. What is singularly objectionable is that an element of discrimination is implied in licensing as it will apply only to ships on Indian register and not to ships on British register plying Indian waters. Committee have already protested against the transfer of ocean-going country-craft from Commerce to War Transport Department. Under plea of co-ordination between carriage by rail and sea route Committee apprehend that endeavours are likely to be made and such co-ordination is likely to lead to the transfer of ocean-going steamers from Commerce to War Transport Department. Committee therefore, earnestly request Government of India to assure them that ocean-going steamers will not only be retained under full and direct control as hitherto of Commerce Department but they will also be pleased to transfer ocean-going country-craft from War Transport to Commerce Department. Committee further consider it imperative that arrangements should also be made to bring steamers on British register plying in Indian waters under direct control of Controller of Indian Shipping which they consider essential not only for removing existing discrimination against Indian shipping but also for ensuring bare justice and fair play to national shipping in India.

Letter No. 160-M.I.W.(3)|43 dated October 1943 from Commerce Department, Government of India to Chamber.

With reference to your telegram dated the 23rd September 1943, I am directed to invite your attention to this Department *Press Communique* dated the 1st October 1943, a copy of which is enclosed. It will be observed therefrom that there is no ground for the apprehension that the control measures over vessels on the Indian Register will place them at a disadvantage as compared with those on the British Register.

PRESS COMMUNIQUE

Better Use of Coastal Shipping — Control Over Both Indian and British Vessels — Details of Organization

The announcement in the *Press Communique* dated the 11th September 1943 of the control measures over vessels on the Indian Register has given rise to the impression that Indian-registered ships would be placed at a disadvantage as compared with those on the British Register. There is no ground whatever for any such apprehension. The reason why the control measures do not extend to the ships on the British Register is that all such ships have already been requisitioned by His Majesty's Government and operate under the direct control of the Ministry of War Transport. They are, therefore, already under a measure of control which is far more stringent than the control which will be exercised through the licensing measures announced by Government.

These control measures do not mean any reflection on the shipowners from whom the Government of India have received wholehearted co-operation not only in the carriage of priority cargoes but also in various other ways. Experience has, however, proved on the railways that a system of uniform and centralized control over transport is essential, and this must be extended to cover all ships employed on the coast in order to ensure that the right cargoes are carried at the right time in the interests of the prosecution of the war and of the maintenance of supplies essential to the life of the community.

Following the appointment of the Controller of Indian Shipping, arrangements have, therefore, been completed for the

co-ordinated employment of tonnage running between Karachi, Calcutta and intermediate ports. As ships on the British Register are controlled by the Ministry of War Transport and those on the Indian Register by the Controller of Indian Shipping, it is now possible to ensure that all cargoes belonging to or sponsored by Government moves by sea in priority and that goods for essential civil consumption, such as foodstuffs, are carried wherever required. For this purpose, all available ships on the Indian and British Registers will now work under a joint control as a combined fleet.

The organization to handle the arrangements under the new system is as follows :—

Coastal Shipping Committee

The Ministry of War Transport Representative and the Controller of Indian Shipping at Bombay will constitute a Committee to be known as the Coastal Shipping Committee, with power to co-opt such other officers as may be necessary, for example, the Regional Controller of Railway Priorities, the Sea Transport Officer, Bombay, the Country-craft Organization Officer and the Controller of Supplies. This Committee will allocate by mutual agreement the priority cargoes between the various ships under their control, taking into account available country craft capacity, which must always be used if it thereby releases steamers for duties unsuitable for sailing vessels.

At other ports, there will be local Committees consisting of the Ministry of War Transport representative and the Principal Officer of the Mercantile Marine Department in the case of Karachi, Madras and Calcutta, and the Administrative Officer in the case of Cochin and Vizagapatam, with power to co-opt such other officers as may be necessary such as the Port Food Movement Officer, etc. to implement the decisions of the Bombay Committee and to deal with local cargo offering.

The Coastal Shipping Committee will supply the Government of India with forward estimates of the tonnage likely to be available each month, against which cargoes sponsored by Government Departments will be first allocated. In addition to Government cargo there will be offering general cargo from

all directions. As instructions regarding such cargo cannot be issued from Delhi, the Coastal Shipping Committee will have full discretion regarding its allocation in order of priority, following such general directions as may be issued by the Central Priorities Committee.

Commerce Department,
New Delhi, October 1, 1943.

Telegram dated 20th October 1943 from Chamber to Commerce Department, Government of India.

Committee, Indian Merchants' Chamber received your letter enclosing *communique.* 1st October regarding control over ships on Indian Register after giving careful consideration to same Committee regret they cannot share your conclusion that proposed control will not place ships on Indian Register at disadvantage as compared with those on British Register. Committee wish to recall assurance given by Government while appointing Indian Shipping Adviser that one of the objects in doing so was to ensure carriage of their quota of cargo by shipping companies engaged in coastal trade. While British Ministry of War Transport have given ships after ships to British shipping companies to carry a far larger quantity of cargo than their quota of the trade Government of India have not given to or secured for Indian shipping companies even a single ship with the result that not only have they not been able to maintain their position coastal waters but one single company Scindia has been short carrier of over one lakh thirty-five thousand tons this year alone. Committee, therefore, constrained to remark that Government's statement that Indian shipping enjoys same advantage and will enjoy same advantage as British shipping will not only not convince Indian public but is tantamount to adding insult to injury. *Communique* states system of uniform and centralized control must be extended to cover all ships employed on coast my Committee, therefore, once again urge that all such ships whether on Indian Register or on British Register as demanded both by shipping interests and by Indian commercial organizations must be brought immediately under control of Controller of Indian shipping in conjunction with representatives of Indian commercial community

and Indian shipping interests. Committee regret that neither do shipowners nor do country-craft owners find any representation on proposed Coastal Shipping Committee which they consider essential. Procedure regarding operation of such committee at ports other than Bombay open to serious objection as interests of trade not represented there. Moreover, definite statement of policy that proposed committee will have to follow general directions as may be issued by Central Priorities Committee justifies their serious apprehension that attempts are continued to be made by interested parties for transferring blue-water shipping from control of Commerce Department to that of War Transport Department which is detrimental to progress of Indian Merchant Navy. Committee, therefore, earnestly urge upon Government in Commerce Department that if they feel helpless under present circumstances redeem their promise of holding scales even between Indian shipping and British shipping not to say anything about advancing cause of Indian shipping in light of previous promises and assurances they should at least assure the public that not only control over blue-water shipping will be retained in their hands but that they would see that countrycraft and inland water traffic would also be transferred from War Transport Department to their Department. Committee will feel obliged if Government of India would be pleased to take immediate and prompt action for both purposes outlined this telegram.

APPENDIX 2

Unified Control over Shipping on Indian & British Registers

Letter No. 2805 dated 16th October 1943 from Chamber to Commerce Department, Government of India.

The Committee of the Indian Merchants' Chamber have recently been considering the question of Indian ships on the Indian Register and the ships on the British Register plying in Indian waters, and beg to draw the attention of the Government of India to the following points in connection therewith, with a request and a hope that Government will be pleased to give their favourable consideration to these points and take such prompt and effective action as will achieve the object underlying the same.

(i) The ships on the Indian Register as well as the ships on the British Register plying in Indian waters should be brought under the direct control of the Controller of Indian Shipping who will be responsible in regard to their movements, etc. to the Government of India alone.

(ii) The Government should carry out the assurance repeatedly given by them that both the ships on the Indian Register as well as the ships on the British Register plying in Indian waters should be so utilized that the Indian shipping companies are in a position to carry cargo according to their quota and maintain their position in the coastal waters.

(iii) If the ships on the British Register and on the Indian Register are not placed under the control of one common authority it is feared that Government-controlled organizations like the United Kingdom Commercial Corporation, etc. will get special privileges and advantages at the cost of Indian exporters and importers.

(iv) It is essential that the control over these ships should not create tendencies and set in motion forces which would strengthen the efforts made by certain interests for transferring blue-water shipping from the control of the Commerce Department to that of the War Transport Department. The Indian commercial community reiterate their demand that not only blue-water shipping should be retained, as it is at present under the control of the Commerce Department, but that country-craft in ocean-going trade should also be transferred from the present control of the War Transport Department to the control of the Commerce Department.

APPENDIX 3

Transport Committee of the Post-war Reconstruction Committee

Letter No. 2859 dated 23rd October 1943 from Chamber to Commerce Department, Government of India.

The Committee of this Chamber are given to understand that the War Transport Department of the Government of

India have recently set up a Transport Committee of the Post-war Reconstruction Committee. It would appear, however, that no non-official representative of Indian shipping interests have been invited to serve on that Committee. In justification of the omission to give representation to Indian shipping on that body, it is sought to be suggested that as the Committee would be mainly concerned with problems connected with the internal transport of the country, shipping interests are not directly concerned with the same and as such there was no special reason for giving direct representation to such interests. My Committee are unable to agree to the above argument as a justification for the omission to include a representative of shipping interests.

Large questions of policy and questions connected with the fixing of rates have a serious repercussion on the carriage of cargo in the coastal trade. It is also a matter of common knowledge how cargo has been diverted in the past from the sea to rail route by adjustments in the freight structure. Inland waters were in the past allowed to silt so that the cargo might not move on those waters and so that the traffic in question might be diverted to the railways. Even the Atkinson Committee had made a reference to this aspect of the transport policy of the country in their report. Indian shipping interests, therefore, have a direct interest in questions of policy affecting the internal transport of the country.

There have in the past been occasions, when, as a result of competition, certain unfair methods had been resorted to by railways for attracting traffic moving by ships. It is necessary that in the formulation of policies for the future in regulating the internal traffic, the requirements of, and the reactions on, shipping are not overlooked.

Internal transport does not consist merely of the carriage of goods by rail and road. In large tracts of India, inland navigation completes the direct line of transport by rail and road. That is another important consideration why shipping interests should be represented on the proposed Committee. The Government of India are anxious that cargo may be carried by countrycrafts on the West coast as well as on the East coast. Carriage of cargo by rail between certain stations in

the different parts of the country has been prohibited with a view to diverting the said traffic to countrycraft. To facilitate this movement, country-crafts have been built in the country and a large amount of new capital has been invested in the building of such crafts. It is, therefore, a matter of extreme importance that these countrycrafts, which have been put into use to relieve the pressure on railways and in which large amounts of private money have been invested, should not be put out of trade by any practices or policies laid down or followed in regulating the internal transport of the country.

Finally, the transport problem should be viewed in its entirety. The question cannot be treated in compartments such as transport by rail, transport by road or transport by sea. In order that the entire problem of transport may be considered in the light of requirements of Indian economy as a whole, it is necessary that all aspects of the problem should receive the attention of the said Committee. For the foregoing reasons, my Committee are strongly of opinion that the said Committee should include representatives of Indian shipping interests, so that proposals and policies enunciated for purposes of regulating the transport services in the country in future, embrace the problem in all its aspects.

It has been brought to the notice of my Committee that as blue-water shipping is not under the control of the War Transport Department, it would not be possible for them to invite the representatives of Indian shipping to serve on the proposed Transport Committee unless blue-water shipping is transferred to their care. My Committee would like to make it perfectly clear that they are not only opposed to the transfer of blue-water shipping from the Commerce Department to the War Transport Department, but on the contrary, along with the entire commercial community, they have urged upon you more than once in the past, that even the inland water and the countrycraft traffic should be transferred from the War Transport Department to the care of the Commerce Department. My Committee would, therefore, like to add that as shipping is the particular care of the Department of Commerce, they are addressing this communication to you with a request that you would be pleased to represent the matter to the Department of War Transport and arrange with them that they should

invite non-official representatives of Indian shipping interests to serve on the aforementioned Committee.

My Committee will feel obliged if Government will be pleased to take immediate action in connection with the request made in this letter.

APPENDIX 4

Blue-Water Shipping under Commerce Department

Telegram dated 2nd September 1943 from Chamber to Commerce Department, Government of India.

All vessels engaged in carriage passengers and cargo in ocean-going trade known as blue-water shipping have been for years past now under control direction of Commerce Department. After appointment of Sir Edward Benthall attempts were made to get blue-water shipping transferred from Commerce to War Transport Department against which strong protests were lodged by Indian commercial interests. Blue-water shipping was allowed to remain as before with Commerce Department. We now find that carriage of passengers and cargo by countrycraft in what is known as ocean-going trade is outside jurisdiction of Commerce Department and is exclusively dealt with by War Transport Department. Committee, Indian Merchants' Chamber lodge their emphatic protest against such transfer of part of blue-water shipping from Commerce to War Transport Department despite universal protests made by Indian commercial interests against transfer of blue-water shipping from Commerce to other Department. Committee, therefore, earnestly request you to take prompt and immediate steps to get movement by country-craft forming part of blue-water shipping retransferred to Commerce Department as they are convinced that Commerce Department alone qualified and competent not only to deal with countrycraft as forming part of blue-water shipping but also will be able to promote necessary co-ordination and adjustment that may be required for effective movement of more and more cargo on waters by steamers as well as by countrycraft. Committee will feel grateful by your kindly informing them as to what steps have been taken or are proposed to be taken for ensuring the

retransfer and retention of full control and jurisdiction over all vessels engaged in blue-water shipping in hands of Commerce Department.

APPENDIX 5

Requisitioning of S.S. "San Francisco Xavier"

Telegram dated 23rd September 1943 from Chamber to Commerce Department, Government of India.

Committee, Indian Merchants' Chamber, are given to understand that it is proposed to requisition steamer St. Xavier now on Bombay/Dabhol service. Since the beginning of the war all Indian passenger steamers except only two running on Bombay/Konkan coast have been requisitioned thus inflicting serious hardship and inconvenience upon hundreds of thousands of passengers hailing from several ports using this sea route between Bombay and Konkan. A large portion of the population of Bombay comes from these ports specially the industrial population and for the last three or four years they have been put to enormous difficulty in coming to and going from Bombay. These difficulties have been further aggravated by discontinuance of bus service and consequently, withdrawal at this stage of one steamer out of existing two steamers only on this Konkan route will mean practically closing up the sea route to hundreds of thousands of passengers. It will not only mean difficulty to these passengers but also serious handicap to Bombay industries. Committee, therefore, seriously urge upon Government of India that they should be pleased not to withdraw any further steamer now from this route but should on the contrary in response to universal public opinion which was supported by continuous requests of Bombay Government clearly expressed on various occasions and demand urgent endeavour their best to release atleast one steamer out of several commandeered ships for this service without any further delay.

Letter No. 132-M.I.W.15|43 dated 28th September 1943 from Commerce Department, Government of India to Chamber.

With reference to your telegram dated the 23rd September 1943, I am directed to state that the Government of India

realize the inconvenience likely to be caused by the removal of the vessel " San Francisco Xavier " from the passenger service on the Konkan coast. They regret, however, that they cannot avoid requisitioning her as, with the exception of the " Chandravati ", which is a larger vessel and the requisition of which would do even greater harm to the Konkan passenger service, there is no other vessel suitable for the purpose which they have in view. The vessel will, however, be returned to her original employment as soon as she can be released from her present work. It is also hoped that it will be possible to release soon the Bombay Steam Navigation Company's vessel " Padmavati " after necessary repairs and reconditioning so as to enable her being put on the Konkan passenger service without delay.

Letter No. 2804 dated 16th October 1943 from Chamber to Commerce Department, Government of India.

I am directed to acknowledge the receipt of your letter dated the 28th September 1943, No. 182-MIW(15)/43.

My Committee regret that the reply of Government is not at all satisfactory. It is poor consolation to be told that if " Chandravati ", which is a larger vessel, had been requisitioned it would have done greater harm to the Konkan passenger service. Government cannot be unaware of the fact that s.s. " St. Xavier " was carying about 300,000 passengers every year between Bombay and Dabhol and this class of passengers cannot be served by any other steamer. s.s. " Chandravati " maintains altogether a different service and calls at ports not served by " St. Xavier ". It will, therefore, be realized that none of these only two steamers can be withdrawn from the Konkan routes without causing serious dislocation and untold hardships to the travelling public.

Just as the local train services are one of the biggest factors in the transport problem of the City of Bombay, these steamers, specially, " St. Xavier ", play a great and important part in the transport which caters to the daily needs of the City. It must be recognized that these steamers are not in any way a sort of a luxury article, but are a great feature for the solution of the daily transport problem of the City of Bombay, just as the buses, trams and the underground railway

systems of London are contributing to the solution of the transport problem of Greater London.

Government expect that it would be possible to release soon the Bombay Steam Navigation Company's vessel " Padmavati " after necessary repairs and reconditioning so as to enable her being put in the Konkan passenger service without delay. My Committee are, however, informed that it will take a very long time for the repairs of the " Padmavati " being completed and to enable her to be put on the regular service. It has also to be remembered at the same time that the " Padmavati " has got a very slow speed, so that she can do only three trips per week, as against six of " St. Xavier ".

Under these circumstances, my Committee hope and trust that, in the interest of the transport problem of the City and in the interest of hundreds of thousands of passengers who have to come to Bombay for their daily maintenance, Government will be pleased to release soon the " St. Francisco Xavier " for being run on her normal route between Bombay and Dabhol.

Letter No. 132-M.I.W.15|43 dated 4th November 1943 from Commerce Department, Government of India to Chamber.

With reference to your letter No. 2,804, dated the 16th October 1943, I am directed to state that it is regretted that the " San Francisco Xavier " cannot be released but it is hoped that the " Padmavati " would become available for employment on the Konkan coast very soon. I am to add that the Government of India are bearing in mind the needs of the Konkan traffic and will try to do their best to assist it as far as possible.

APPENDIX 6

Settlement of Claims Re : Ships Requisitioned

Telegram dated 13th October 1943 from Chamber to Commerce Department, Government of India.

Committee, Indian Merchants' Chamber should like to remind Government of the assurance given by the Honourable Mr. N. R. Pillai in his interview with them on 13th July 1943 that all outstanding in connection with requisitioning and commandeering of ships would be finally settled within six

weeks. It is now twelve weeks since that assurance was given but no further steps appear to have been taken to settle these outstanding questions awaiting solution for the last four years. Committee urge Government to be pleased to take further action without delay for the final settlement of all these outstandings.

APPENDIX 7

Indian Railway Act Amending Bill

Letter No. 227 dated 20th January 1943 from Chamber to Department of Communications, Government of India.

The attention of the Committee of this Chamber has been drawn to the Bill to amend the Indian Railways Act, which is referred to a Select Committee. The object of the Bill is to introduce a new section after Section 82, providing for compensation to those injured, or to dependants of those killed, in a train accident that is not due to the negligence on the part of the Railway administration or its servants. My Committee appreciate the desire of Government to help the poor victims of a train disaster, specially when they are injured by acts of sabotage or by sheer accident. At the same time, they should like to draw the attention of Government to certain aspects of the question which require further consideration. Government are aware that under the existing law, passengers, who are involved in an accident, have got their right of relief from the Railway authorities concerned, and that if they can prove their case, the relief should not be limited to Rs. 7,000. The amount of Rs. 7,000 fixed by the new section, if the interpretation of my Committee is correct is, now sought to apply not only to cases of accidents which do not involve any neglect on the part of the Railway administration but also to cases which involve neglect on the part of the railway concerned. The result, therefore, of the amending Bill, my Committee are afraid, seems to take away certain rights and privileges from the railway passengers. If they can prove their case of neglect against the railway administration for an accident, they can claim and perhaps get not Rs. 7,000 but any amount which the Court may consider suitable looking to the nature of the accident, the nature of the injury sustained

(or even death), and the status of the person concerned, etc. The new provision, unfortunately, will result in limiting the to its amount in case of injury or loss of life through neglect, is proved. It is, therefore, essential that it should be made absolutely clear that this Bill gives an additional right for compensation to the travelling public in case of injury or loss of life under circumstances mentioned in the Bill and does not in any way abrogate the right which they have enjoyed hitherto for securing compensation without any limitation as to its amount in case of injury or loss of life through neglect etc. It is on this distinct understanding that my Committee accord their support to this new Bill.

The Bill also provides that the relief in question will not be available in respect of persons travelling without having in their possession proper passes or tickets. It is not possible after an accident either for an injured person or in case of death for his dependants to prove possession of a ticket at the time of the accident. In the confusion that may prevail after an accident, it is very likely that the personal luggage of the passenger concerned may get lost or disturbed. It will not, therefore, be possible to prove that the passenger had a proper pass or ticket. The presumption should be in favour of the passenger, as it is the duty of the railway administration to see that only *bona fide* passengers who have got proper tickets get entry into the trains. The provision in question should, therefore, be deleted, and proof regarding possession of a ticket or pass should not be prescribed as a pre-requisite for being entitled to the relief.

APPENDIX 8

Proposal to Close Booking of Goods Traffic on Railways between Bombay and Stations beyond Viramgam

Letter No. 67|V dated 12th January 1943 from Board of Transport, Bombay to Chamber.

I am directed to state that a proposal to close all goods booking between Bombay and Kathiawar (stations beyond Viramgam) in order to force all the traffic on to the see route is under the consideration of the Transport Advisory Board,

Bombay. The volume of traffic from Bombay to Kathiawar is estimated at about 250 tons per day and that from Kathiawar to Bombay at 110 tons per day. All this traffic can be conveniently handled by the available country-craft. Besides, the diversion of all this traffic to country-craft, would result in a saving of about 18 wagons daily.

This question was considered by the Standing Committee at its meeting on 6th January 1948. The Advisory Panel of the Committee were of opinion that the scheme might work provided (*a*) that the freight rates were reasonable and (*b*) that the cargo could be insured against marine and war risks at reasonable rates.

(*a*) A slight increase in the cost of transport of goods by sea in country-craft would, it was considered, be tolerable, but it was necessary to provide against the owners of country-craft unduly exploiting their advantage once the rail route was closed. Further, it was considered important that the freight should be known in advance and should not be left to bargaining at the time of each consignment.

(*b*) At present, cargo carried by country-craft is not usually insured against either marine or war risk. It would not, however, be proper to compel the movement of cargo by country-craft without adequate facilities for insuring the goods against marine and war risks at reasonable rates, as no bank would finance cargo without full insurance.

Rao Bahadur Maneklal Lallubhai, Country-craft Organization Officer, Bombay, is of the opinion that it should be possible to arrange for reasonable freight rates for movement of goods by country-craft provided cargo is available regularly and in sufficient quantity. Arrangements can also be made through reliable small shipping agencies for handling the entire sea-cum-rail movement between any place in Kathiawar and Bombay at reasonable rates. It might not, however, be possible to provide indemnity against partial or total loss of the cargo while in transit.

In this connection, it is of interest that the Jamnagar-Dwarka Railway has already arranged through booking of goods from Karachi to Bedi, Rajkot, Wadhwan, Viramgam and Ahmedabad and *vice versa* at the freight rates shown in

the appended list, which are on par with the rates for the rail route with full insurance thrown in. The rates shown in the list include craft freight, port and stevedeering charges at Karachi and Bedi and railway freight from and to Bedi to the stations concerned. The rates not marked with asterisk include marine insurance in addition.

It may, with the co-operation of the country-craft owners be possible to have similar arrangements for movement of traffic from Bombay to Kathiawar ports and *vice versa*.

It is, however, difficult to quote rates without an idea of the volume and regularity of the traffic to and from Bombay which can be diverted to the sea route.

As regards war risks insurance, the Government of India has already been moved to arrange for the ordinary war risk insurance premium on carriage and storage of goods to cover shipment by country-craft. It is understood that this question is under their active consideration. Full insurance for cargoes of country-craft presents many difficulties and may not be so easy to arrange.

I am to request that you will kindly place the proposal to close all goods booking by rail between Bombay and stations beyond Viramgam before your Chamber and favour this Board with its views, if possible by 18th January or as soon as possible thereafter.

Table giving the freight rates of the various commodities from and to Karachi

Cotton per bale of 5 mds. :

Karachi to Ahmedabad	W/250	...	7	2	0
„ Viramgam	„	...	7	5	0
„ Wadhwan	„	...	6	14	0
„ Rajkot	„	...	5	2	0

Grains and pulses per bag of 2½ Bengal mds. :

Karachi to Bedi	W/270	...	1	3	6
„ Rajkot	„	...	1	8	6
„ Wadhwan	„	...	2	2	6
„ Viramgam	„	...	2	5	6
„ Ahmedabad	„	...	2	7	6

Cotton seed per bag of 1½ Bengal mds. :

Karachi to Bedi	W/270	...	0	14	0
„ Rajkot	„	...	1	0	0
„ Wadhwan	„	...	1	5	0

Seeds common—2 Bengal mds. :

Karachi to Bedi	W/270	...	1	0	0
„ Rajkot	„	...	1	4	6

Rice per bag of 2 Bengal mds. :

Karachi to Bedi	W/270	...	1	0	0
„ Rajkot	„	...	1	2	0
„ Wadhwan	„	...	1	9	6
„ Viramgam	„	...	1	10	6
„ Ahmedabad	„	...	1	11	6

Soda Ash—rate to be charged according to the size of the case or the bag :

In a bag of 2 Bengal Mds. Ex-Karachi to Ahmedabad	W/270	...	1	10	0

Rates for other chemicals will be advised by our booking clerk at Karachi :

*Flour in bags of 2½ Bengal mds. :

Karachi to Bedi	W/270	...	1	3	6
„ Rajkot	„	...	1	9	0
„ Wadhwan	„	...	2	2	6

*Oils Division (*d*) per Bengal md. or 2 tins :

Karachi to Bedi	W/200	...	1	0	0
„ Rajkot	„	...	1	2	3
„ Wadhwan	„	...	1	6	0
„ Ahmedabad	„	...	1	9	3
„ Viramgam	„	...	1	8	0

*Charcoal 1 Bengal md. bag :

Karachi to Bedi	W/81	...	0	11	0
„ Rajkot	„	...	0	13	0

*Leather goods :

Karachi to Bedi per Bengal Md.		..	0	11	0
„ Rajkot		...	0	13	0
„ Wadhwan		...	1	4	0
„ Ahmedabad		...	1	9	6

*Paints :

Karachi to Bedi per Bengal Md.	W/270	...	0	10	0
„ Rajkot		...	0	11	3
„ Wadhwan		...	1	1	0
„ Viramgam		...	1	2	0
„ Ahmedabad		...	1	4	0

*Sugar per bag of 2 mds. 30 srs. Bengal :

Karachi to Bedi	W/270	...	1	5	0
„ Rajkot		...	1	7	0

*Hardware :

Karachi to Bedi per Bengal Md.		...	0	11	0
„ Rajkot		...	0	12	0
„ Viramgam		...	1	4	0
„ Ahmedabad		...	1	6	9

*Dry fruits :

Karachi to Bedi per Bengal Md.		...	0	10	0
„ Rajkot		...	0	12	0
„ Viramgam		...	1	4	0
„ Ahmedabad		...	1	6	0

Items marked * will be charged marine insurance charge at Rs. -/15/- per cent of the declared value over and above the freight shown above.

Those not marked * are inclusive of marine insurance.

Inward traffic

*Piecegoods and yarn per bale of 4 Bengal mds. :

From Ahmedabad to Karachi		...	5	10	0
„ Wadhwan	„	...	5	4	0
„ Rajkot		...	3	14	0

*Cotton waste per bale of 4 Bengal mds. :

From Ahmedabad to Karachi		...	5	8	6
„ Wadhwan	„	...	4	14	0
„ Viramgam	„	...	5	0	0
„ Rajkot	„	...	3	14	6

*Soda Ash per bag of 2 Benbal mds. :

Dhrangadhra to Karachi	W/270	...	1	2	0

Bleaching Powder

Dhragandhra to Karachi	W/270	...	1	3	0

Caustic Soda

Dhrangadhra to Karachi	W/270	...	1	3	0

*Oilcakes per bag of 2 Bengal mds. :

Amreli to Karachi	W/300	...	1	7	0
Dhoraj „	„	...	1	4	0
Gondal „		...	1	1	0

*Groundnuts per bag of 1 Bengal md. :

Bedi to Karachi	W/200	...	0	7	0
Rajkot ,,	,,	...	0	8	0
Dhoraj ,,	,,	...	0	11	6
Gondal ,,	,,	...	0	10	0

*Teel seeds bags of 2 Bengal mds. :

Bedi to Karachi	...	0	12	0
Bhatia ,,	...	1	5	0
Bhopalka ,,	...	1	4	6
Khambballa ,,	...	1	3	0

*Wool 4 Bengal mds. bale :

Bedi to Karachi	...	4	8	0
Vichhia ,,	...	6	7	0
Rajkot ,,	...	4	12	0

*Goat hair bale of 4 Bengal mds. :

Vichhia to Karachi	...	7	5	0
Rajkot ,,	...	5	1	0

Items marked * will be charged extra marine insurance @ -/15/- per cent of declared *value* except in case of wool which will be charged separately.

Letter No. 232 dated 21st January 1943 from Chamber to the Board of Transport, Bombay.

I am directed by the Committee of this Chamber to send to you hereby their views, in reply to your letter No. 67/V, of the 12th January 1943.

My Committee welcome efforts to encourage movement of traffic by country-crafts, specially in these times when shipping is so scarce, and trade and industries are suffering through such a scarcity. At the same time, they may be allowed to express their apprehension that unless the question is handled in a systematic and proper manner, the state of things which will ensue may be much worse than what it is at present. Country-craft service is not yet organized and it will be extremely inadvisable to close the existing facility of transport by railways before an alternative form of transport suggested is sufficiently organized and found to work on efficient lines. The method of approach to the problem proposed by Government is impracticable. My Committee would not approve of adopting such an alternative, unless Government feel it sure that it will be working better than the transport by railways; it

would, otherwise, lead to a great disorganization if the existing railway traffic was to be closed before the alternative channel was fully developed. The transport by country-craft is by all means to be encouraged, as in the first place, it will lead to having a substitute in place of steamers which are scarce and in the second place, it will encourage the construction of country-crafts which has its own place in the national shipping.

There are certain classes of goods which cannot be moved by country-craft; as, for instance, heavy machinery and equipment which requires special loading and unloading facilities. Such traffic can at no time be forced to move by country-craft and, therefore, any proposal to divert traffic compulsorily to country-craft would certainly be impracticable. There are also goods which should on no account be allowed to come into contact with water, e.g. chemicals. In such cases also the proposal is completely impracticable. In case of many other articles of value the risk on account of damage by water will be great and the commercial community will naturally be reluctant to allow such goods to be carried by country-craft. It is also essential to ensure that the cost of carriage by the country-craft should remain on a parity with the cost of such carriage by the rail route. Country-craft would not, again, operate during the monsoon; the traffic would, therefore, only be seasonal and in view of the short interval between now and the commencement of the monsoon, it is not desirable, at this stage to bring any proposal involving complete closing of booking by railways.

Another serious difficulty is in the matter of the absence of arrangements for marine insurance for goods transported by country-crafts. Government themselves acknowledge in their letter that that aspect would present many difficulties and that it may not be easy to arrange for a scheme of insurance. Even if the Government of India agree to the proposal to arrange for war risk insurance for cargoes by country-crafts, it will not be fair to the commercial community to be called upon to take chances by compelling movement by sea route, if marine risk is not covered. In the opinion of my Committee, therefore, any proposal to close goods booking by railways with a view to force the traffic on to the alternative route is neither feasible nor necessary. The alternative form of transport may,

at the same time, be given encouragement to development so as to relieve the pressure on the railways, whenever necessary, by absorbing such traffic as may be voluntarily attracted to it. Further, if at any time, it is found that the railway is not able to cope up with the traffic offering, Government may make special arrangements to charter one or two steamers to carry the traffic and thereby secure the necessary relief in any emergency. The proposal of the Board to close down goods booking absolutely would lead to complications and should not, therefore, be put into effect.

Letter No. 67(2)6163|V dated 16th February 1943 from Board of Transport to Chamber.

With reference to the correspondence ending with your letter No. 232, dated the 21st January 1943, on the subject mentioned above, I am directed to forward herewith—

(i) a note by the Country-craft Organization Officer, Bombay, and its accompaniment explaining what facilities exist for the movement of goods between various ports on the west coast from Karachi to Cochin, by country-craft and giving the cost of transport of certain kinds of goods between Bombay and various places in Kathiawar by this route; and

(ii) a list prepared by the B. B. & C. I. Railway showing the commodities that have been conveyed by country-craft;

and to state that the proposal at present is that booking by rail between Bombay and stations in Kathiawar beyond Viramgam should be closed during the fair season so far as the commodities shown in the list are concerned and that these commodities should be diverted to country-craft.

In this connection, I may point out that the Government of India have arranged for the reduction of War Risk Insurance rate on goods carried between Bombay and Karachi by country-craft to one per cent subject to 10 per cent discount to the shipper.

2. I am to request that you will kindly place the revised proposal before your Chamber and favour this Board with its views as early as possible.

NOTE ON TRANSPORT OF GOODS BY COUNTRY-CRAFT

Country-craft are already transporting up and down the West Coast between Karachi and Cochin about 1½ million tons of cargo per season. Freight is determined by negotiations between the exporter and the crew through a local broker. The cargo is insured at the option of the exporter and importer. There is no reason why the traffic which the Railways propose to transfer to the sea route cannot be similarly transported. It is likely to amount to about 700,000 tons per season. This traffic will have to be carried partly by rail and partly by sea. The cotton traffic from Karachi to Bombay will be entirely by sea.

Three reputed firms have come forward to deal with the traffic by the sea route, as well as by the sea-cum-rail route. Each of these firms owns or has chartered more than 50 craft and they have control over several craft all along the coast through sub-brokers. They have agents at Bombay, Karachi, Bedi, Navlakhi, Okha, Calicut and Cochin, and are prepared open offices at the following centres and at other ports as soon as the railway traffic is available :—

Verawal, Bhavnagar, Broach, Surat, Mormugao and Mangalore.

The consignor at an inland station will book his goods to the nearest port and instruct one of these firms or any other respectable firm which may come forward hereafter, or his own agent at the port to send the goods by sea-cum-rail route. The agents at the port will take delivery of the consignments and keep them in safe custody in their godowns until craft is available or a " pick-up " boat is ready to sail. The duty of the agent at the port of export will be to get the goods insured, if advised, arrange to despatch them by craft, recover freight from the consignor and advise the consignee. At the port of import, the agent will take delivery of the goods and despatch them by rail to destination. This agent will have to recover the craft freight and also railway freight unless he is asked to despatch the consignment " to pay ". The firm will charge brokerage and shipment and landing charges at fixed rates. The firms have quoted rates by sea-cum-rail route for transporting certain commodities between Bombay and important centres in north Gujarat. A statement showing the rates

is attached. They will also quote rates for Southern India traffic as soon as they know what traffic is available.

With regard to insurance, I addressed eleven Insurance companies which cover by country-craft. Most of these have replied, and a few replies are awaited. The companies from whom replies have been received state that though the acceptance of business after 1st April is governed by the state of the weather, 30th April is generally considered as the final closing date, but they often insure upto 31st May.

The rate of insurance depends on the season and weather conditions prevailing at the time, but the general rule is to increase the rate by 2 annas per cent net for each week of April. The prevailing rate at present is about rupee 1 per cent with a 15 per cent discount for cotton and piece-goods. These Insurance companies give cover for loss by jettisoning of part cargo.

There is no dearth of craft. As a matter of fact reports received from Intelligence Officers at Karachi, Bombay, Mormugao and Calicut, show that a number of craft are waiting for cargo.

List supplied by the B. B. & C. I. Railway showing the Goods that have been Conveyed by Country Craft

From Bombay	To Bombay
Acids.	Cotton (raw).
Bleaching powder.	Earthenware or stoneware.
Chemicals.	Fire bricks.
Cocoanuts.	Fireclay.
Colours and paints.	Garlic.
Cotton (raw).	Grain, pulses and seeds.
Carbonic acid gas (cylinders).	Hides, and Skins.
Grain (Rice).	Oils, vegetable.
Groceries.	Oilcake.
Gunnies.	Piecegoods.
Hardware.	Magnesium Chloride.
Metals.	Wool (raw).
Millstores.	Empty carbonic gas cylinders.
Millboard or straw board.	Sodas (Ash, Bicarb and Caustic).
Newspapers, old.	
Paper.	
Piecegoods.	
Ropes.	
Rubber (manufactured).	
Starch (Farina).	
Timber (Planks & Scantlings).	

Letter No. 806 dated 12th March 1943 from Chamber to Board of Transport, Bombay.

I am directed to refer to your letter No. 67(2)/6163/V, dated the 23rd February 1943, on the above subject and in reply to send to you hereby the views of my Committee on the proposal therein.

The central suggestion contained in the letter under reference and the note annexed thereto is that booking by rail between Bombay and stations beyond Viramgam should be closed during the fair season in respect of certain types of goods, a list of which had been furnished along with the letter, with a view to secure the diversion of traffic in such goods to country-crafts. In the first place, my Committee would like to point out that the remaining period of the fair season this year is only about two months and it is, therefore, not necessary to consider any such proposal so far as this year is concerned at this stage.

As pointed out in the note by the Country-craft Organization Officer, a part of the traffic in most of the goods specified in the list is even at present, on a voluntary basis, moving by country-crafts. My Committee have serious doubts as to whether the available supply of country-crafts would be in a position to absorb all the traffic that would be offering in respect of commodities in question, if by administrative arrangement, movement is to be completely diverted by the sea route. As far as their information goes even at present all the available country-crafts are being put to full use and there is, therefore, no chance of the necessary increased number of crafts being made readily available in the near future. The tonnage would have to be supplemented by new crafts which would naturally involve time.

From independent enquiries made by my Committee and from information placed before them by a representative of one of the firms who had offered their services in connection with the scheme, the tonnage at the disposal of the three firms referred to by the Country-craft Organization Officer has been very much over-estimated. As far as my Committee are aware all the three concerns together can make available for the service, from the country-crafts under their control, not more than 50 crafts and, as they have pointed out above, as all the

available crafts are even now being put to normal use, it is not that the companies can easily add to their capacity by chartering fresh units. My Committee seriously apprehend that there would be considerable disorganization in the handling of the traffic in question if, before the alternative service contemplated is sufficiently organized and begins to function effectively, Government take any steps in the direction of closing the existing facilities for the transport of the goods in question by rail.

My Committee strongly feel that Government should for the present confine themselves to the question of assisting the development of country-craft service with a view to moving such traffic as it could voluntarily absorb. If that service develops on right lines, a larger amount of traffic naturally will be attracted to it and in the result there would be an easening in the situation so far as railways are concerned. My Committee are, however, definitely opposed to the proposal for the closing of goods booking by railways to stations beyond Viramgam either generally or in respect of any specified list of commodities.

APPENDIX 9

Grant of Monopoly regarding Carriage of Goods by Country-crafts on West Coast

Telegram dated 2nd September 1943 from Chamber to War Transport Department, Government of India.

Committee Indian Merchants' Chamber are seriously concerned to learn that Government of India have decided to appoint four or five Shipping Agents on West Coast for purpose carrying exclusively Government and Military cargo by country-craft further Government of India railways as well as railways of Indian States will enter into through booking arrangements with these Agents only for carriage cargo by country-craft partly by sea and partly by rail and with no other country-craft owners. Apart from serious objection in principle which Committee have against granting such monopoly to owners of comparatively very small number of country-craft for carriage Government Military cargo on West Coast Committee are seriously perturbed that appointment of such Agents and granting them exclusive rights to carry and handle such cargo and

consequent inability of other country-craft owners to book any cargo for carriage by rail after same is carried by country-craft will automatically place large number of owners of country-craft some of whom have actually carried considerable cargo last year at mercy of these monopolists and will not only serve as restraint on their trade and free movement of cargo by country-craft but will also defeat object of Government of drawing increasingly larger quantity of cargo and particularly such commodities as did not move by country-craft to being carried by country-craft for relieving pressure on railways. Committee lodge their very strong protest against Government having taken action in this matter without consulting commercial interests. Committee further understand Mr. Warren Joint Secretary during his visit Bombay Karachi stated rates for carriage of commercial cargo should be same as rates for carriage Government and Military cargo. Committee cannot understand how these rates could be same when commercial rates will be inclusive of marine and war risk charges as well as loading and unloading charges which will not have to be included as they will not be incurred in case of Government Military cargo. Result of such equality of rates under circumstances mentioned above with exclusive right carriage Government Military cargo given to these four or five Shipping Agents will seriously discourage and make impossible for other craft owners even to carry commercial cargo from port to port and will be one further factor imposing restraint on trade and free movement of cargo by country-craft. Committee are also seriously concerned with such monopoly to Agents mentioned above resulting in driving out brokers muccadams and other Shipping Agents by country-craft out of trade by dealing severe blow to usual practices and usages in country-craft trade. Committee, therefore, most earnestly request withdrawal of such unfair proposals which while not achieving object Government have in view will seriously affect owners engaged in country-craft trade. Committee submit if more cargo is to be drawn towards sea particularly cargo which did not move by sea by country-craft during normal peace times it is essential create one central booking agency not interested in country-craft trade and entrust it in conjunction with Indian Shipping Adviser and Country-craft Organization Officer the

operations of distributing cargo and allocating space and making routing arrangements for all craft engaged on West Coast. Committee will feel obliged by Government being pleased to inform them as to what steps they propose to take to safeguard fully not only interests of owners of country-craft and interests of consumers particularly as they understand that while these parties who are now Agents chartered craft at low rates they were given rates over two hundred per cent higher for carriage foodgrains last season by Government and thus take such steps as would enable larger and larger quantity of cargo to move by country-craft than before and achieve common object of relieving existing pressure on railways.

APPENDIX 10

Exports from Bombay by Sea Route

Letter No. 827 dated 13th March 1943 from Chamber to Finance (Surplus) Department, Government of Bombay.

The attention of the Committee of my Chamber has been drawn to Government Notification in the Finance Department No. 422 dated the 18th February 1943, regarding restrictions imposed on the exports of certain types of articles *by sea*. It is now prescribed that any of the articles specified in the schedule, viz. cotton piecegoods, silk piecegoods, artificial piecegoods, yarn and tea shall not be moved by sea from any place within the limits of the City of Bombay and the suburban district to any place outside the said limits except under a licence granted by the Director of Civil Supplies. No such restriction, however, appears to have been placed on the movement of the goods in question by land route, either by rail or by any other forms of traction. If the restriction was conceived with a view to having a check on the outflow of supplies from the city, it stands to reason that the same should have been equally imposed on movements by the alternative routes and transport services. When Government themselves are considering active steps for stimulating the transport of goods by sea and particularly by country-crafts, it cannot be the intention of the authorities to to take any steps, which would have the effect of discouraging movement by the sea route.

My Committee, therefore, would like to know the circumstances under which Government found it necessary to introduce a system of licensing for the movement of the articles in question by sea.

APPENDIX II

Packing Conditions for Press-packed Piecegoods

Letter No. RQ.2|1402 dated 28th December 1942 form G.I.P. Railway to Chamber.

It is understood that on account of the shortage of iron hoops a position may arise when it becomes necessary to utilize some other method of securing bales of press-packed piecegoods, such as coir ropes. The existing entry in the General Classification of Goods relating to piecegoods, press-packed, reads as follows :—

> "Piecegoods, cotton, woollen or artificial silk, with or without common metal, brass or tinsel thread edging, false or imitation lace, in bales press-packed *and bound with iron bands or steel wire* or packed in boxes or cases."

From this it will be seen that in order to secure the lower rates applicable to piecegoods press-packed, as compared with those for piecegoods not press-packed, it is necessary either that the former should be packed in boxes or crates or be in press-packed bales bound with iron bands or steel wire.

In view of the shortage of iron hoops it is proposed to permit the use of other bindings, although it is obvious that such other bindings cannot be so satisfactory from the railway's point of view as the use of iron hoops. To achieve this object it is proposed, firstly, to delete the words " and bound with iron bands or steel wire " from the existing entry in the General Classification of goods. If this is done the existing definition of P/20 condition (appearing at pp. 490 and 491 of the I.R.C.A. Goods Tariff) will require amplification. This condition at present makes provision for imported piecegoods and for bazar-packed bales of piecegoods and it is proposed to add to it the following provision relating to Indian Mill press-packed bales of piecegoods :

"*Indian Mill press-packed bales of Piecegoods, Cotton, Woollen, Silk or Artificial Silk*

1. Must be bound with iron bands or steel wire;
2. Each bale must have the name of the consignee and the station of destination clearly painted on it."

The result of the changes suggested above would be that bales of press-packed piecegoods secured by bindings other than iron bands or steel wire would be accepted and charged at the rates for piecegoods, press-packed, subject to Risk Note Form A being executed.

I shall be obliged if you will let me know whether you support these proposals. If they receive general support the matter will be placed before the Commercial Committee of the Indian Railway Conference Association.

Letter No. 368 *dated 3rd February* 1943 *from Chamber to G.I.P. Railway.*

I am directed to refer to your letter No. R.Q.2/1,402 of the 28th December 1942 on the above subject, and in reply to say that my Committee have no objection to the proposed changes in the packing conditions for piecegoods, press-packed.

APPENDIX 12

Restriction on Transport of Tea Packages by Rail to Mofussil Centre

Letter No. 2048 *dated 26th July* 1943 *from Chamber to B.B. & C.I. Railway, Bombay.*

Several tea merchants from Gujerat and other places have approached the Committee of this Chamber, drawing their attention to the difficulty existing at present of supplying tea to small towns and villages on account of the ban on booking within an area of 40 miles. Tea is supplied to the various consumers throughout the whole of the Bombay Presidency, as well as the Indian States like Baroda, Kathiawar States, Kolhapur, Sangli, etc. as also to places in the Presidency like Surat, Anklesar, Miagaon, Anand, Ahmedabad, etc. direct from Calcutta special rates being provided for all those places. Generally the traders are storing their goods at the abovementioned stations and distributing their holdings to the surrounding

villages and to the small traders by carts. At present, however, on account of the rainy season, the cart transport has become absolutely impracticable, and the trade is suffering heavily, by Committee are informed, by non-movement of the goods. The result is, it will be seen, that the abovenamed big centres are overburdened with the stocks, while the villages and the small traders are not getting their requirements in spite of the heavy stocks at low prices at the above centres. My Committee, therefore, request you to be pleased to lift this ban on booking within an area of 40 miles, if it is there, so that relief may be given to the traders, as well as to the consumers.

Letter No. MT59|Tea|43 dated 30th July 1943 from B.B.&C.I. Railway to Chamber

I enclose a copy of Order issued on 8th May 1943 from which it will be observed that the 40 miles restriction is not applied where roads are impassable owing to rain.

(*Enclosure referred to above*)

8. *Short Distance Restrictions.*—(M.118/Imp.)—When cart roads between certain stations become water logged and are not passable owing to rain during the monsoon, the short distance restriction of up to 40 miles may be temporarily waived until roads are fit for cart or lorry traffic.

APPENDIX 13

Ban on Export of Tea by Rail, Road or Sea from the Bombay Province

Letter No. 2226 dated 13th August 1943 from Chamber to Director of Civil Supplies, Government of Bombay.

I am directed to refer to your letter (copy enclosed*) No. 52(3)26358-IV, dated the 7th July 1943, addressed to the Government of India in reply to their letter No. 39(1)/43-C.S. in connection with the prohibitory order on the export of tea from the City of Bombay and a subsequent modification in the Order giving permission to export tea to Messrs. Lipton Ltd. and Messrs. Brooke Bond (India) Ltd. My Committee have carefully gone through your letter under reference and

* Not Printed.

find that the policy of granting permission to export tea only to non-Indian concerns eliminates all merchants who have been carrying on trade since the last so many years. The Committee, in this connection, would like to know if they had any special reasons to give preference to the non-Indian concerns over the Indian merchants trading in the City.

My Committee further understand that there is an adequate supply of tea in the City which can be borne out by the fact that tea prices ruling today are much lower than those obtaining some 3 or 4 months back and, therefore, licences to export tea may well be granted freely.

Letter No. 52(3)32893 *dated 25th August* 1943 *from Director of Civil Supplies, Bombay to Chamber.*

With reference to your letter dated the 13th August 1943, I have the honour to state that Messrs. Brooke Bond (India) Ltd., and Messrs. Lipton Ltd. have not been given any general permission to export tea out of the Province, but they have been given monthly permits to export tea from their main depots to those places to which they have been regularly exporting for the last several years. The quantities permitted have been strictly limited to the average of their exports during the six months ending May 1943. This limited concession has been granted to these firms, not only because they are the largest distributors of tea but because their organization has been built up on the basis of distribution to particular areas from their depots at Viramgam, Manmad and such other places, and the people of this Province as well as of several Indian States adjacent to it would suffer if such facilities are not given. There is no question of discrimination between non-Indian and Indian firms and permits are granted to other firms also, provided that such exports are permissible from the transport point of view.

APPENDIX 14

Delay in the issue of Permits for Transhipment of Tea by Rail

Letter No. 3290 *dated* 23*rd December* 1943 *from Chamber to Board of Transport, Bombay.*

The attention of my Committee has been drawn to the serious difficulty to which the Clearing Agents here are being

subjected as a result of their not securing permits for transhipment by rail to destinations in the Bombay Presidency, Baroda, Kathiawar, etc. in respect of tea chests arriving from Calcutta by sea to Bombay. The United India Commercial Corporation, Bombay, who have lodged the above complaint, inform my Committee that their applications to your Department for securing permits for transhipments by rail of such goods are not being attended to expeditiously as a result of which the consignments from Calcutta are incurring heavy demurrage charges in the docks. One of the conditions regarding such transhipment Bs/L, as required by the Government of India, is that the destinations should be clearly marked on the Bs/L and this condition has been fulfilled in the case of Bs/L presented to your Department for transhipment permits by the said firm.

I shall thank you to kindly look into the difficulty above referred to and to issue the necessary permits with the minimum possible delay, as otherwise the party would be incurring heavy demurrage charges on account of goods lying in the docks.

APPENDIX 15

Restrictions on Booking of Tea from Anand

Letter No. 3293 *dated* 23*rd December* 1943 *from Chamber to Board of Transport, Bombay.*

The attention of my Committee has been drawn to the Government of Bombay Notification restricting booking of tea from any place in the province of Bombay to any place situated outside the Province or to any State except under a licence. The Regional Controller of Priorities has further ruled that tea can be booked from particular stations only to a defined area. In this list the station of Anand is not mentioned as a result of which tea merchants of Anand who have been hitherto direct importers of tea from Calcutta and who used to supply to the neighbouring stations of Godhra, Mehmadabad, Cambay, etc. find themselves in a great difficulty because now tea is supplied to these centres from Ahmedabad which is comparatively at a greater distance. Under such circumstances, the business of tea in Anand is likely to suffer.

So my Committee request you to include Anand in the list of stations from which booking of tea is permitted.

APPENDIX 16

Restriction on Transport of Empty Oil Drums

Letter No. 3294 dated 23rd December 1943 from Chamber to Board of Transport, Bombay.

The attention of my Committee has been drawn to the restriction on the despatch of empty drums of oil. Groundnut oil, vegetable oils and other oils are brought to Bombay from Madras Presidency and Nizam's territories. In view of the scarcity as well as high prices of empty drums they have to be sent back from Bombay to the centres in Madras Presidency and Nizam's territories for bringing oils. The Railway authorities have not granted priority for last three months to return empty drums. Under such circumstances, it will be difficult for Bombay merchants to get oil from such centres for consumption.

In this connection, my Committee beg to point out that Messrs. Mahomed Haji Gani, who import yearly ten thousand drums of oil from the abovementioned areas, have not been granted priority for the despatch of empty drums as a result of which they find great hardship in bringing oil to Bombay.

My Committee request you to consider this case and similar cases and grant the necessary priority so as to facilitate the import of oils into Bombay.

APPENDIX 17

Transport of Rape Seed, Cumin Seed, Etc.

Letter No. 3247 dated 17th December 1943 from Chamber to Board of Transport, Bombay.

Messrs. V. V. Ramaswamy & Sons, Bombay, have forwarded to my Committee, a copy of their letter No. P/27 dated the 3rd instant, addressed to you, regarding difficulties experienced by them in connection with the transport of rapeseed, ajma, soova, etc. from Bombay to Madras and other stations in the South. Bombay is an important exporting centre of the

articles referred to above, and in the absence of any transport facilities, the trade is bound to suffer a great deal. As it is, there is no sea route available, and the trade has necessarily to rely solely on rail route. If this rail route also is practically closed for the last three months, it is difficult to understand how the trade can go on at all. My Committee, therefore, request the authorities to arrange for the booking facilities, thus relieving the trade from the present hardships.

Letter No. 26199/V dated 31st December 1943 from Board of Transport, Bombay to Chamber.

With reference to your letter No. 3247, dated the 17th December 1943, on the subject mentioned above, I am directed to state that Bombay City is not a producing centre in respect of such seeds and that this City is itself importing the same from upcountry places for local consumption. Movement of these seeds from Bombay to Madras by rail would result in rebooking and this would be undesirable from the transport point of view. Madras could easily obtain these seeds direct from the sources of supply and it is not at all necessary that they should be sent all the way from Bombay.

Letter No. 95 dated 13th January 1944 from Chamber to Board of Transport, Bombay.

I am directed to acknowledge receipt of your letter No. 412(1)26199/V, dated the 31st December 1943, on the subject noted above.

While it is true that Bombay is not a producing centre in respect of such seeds and that the City is itself importing the same from upcountry places for local consumption, as observed by you, I beg to point out, in this connection, that Bombay is the chief distributing centre of the commodities mentioned above, and if merchants dealing in the same are not allowed transport facilities to distribute these commodities, they are likely to suffer great loss and this would greatly affect the established trade of the City. My Committee, therefore, request that transport facilities to dealers in the trade may be given at an early date.

APPENDIX 18

Overcrowding in Mail and Through Trains over the B. B. & C. I. Railway

Letter No. 1422 dated 8th May 1943 from Chamber to Railway Board, New Delhi.

The Committee of this Chamber feel constrained to address this communication to the Government of India, in the interests of a large section of the travelling public. The fact is that there is a terrible over-crowding in the trains, since the last few months, specially on the B. B. & C. I. Railway, which has chosen to cancel some of its most important trains. The B. B. & C. I. Railway connects important, populated, business and industrial centres of Gujerat and Kathiawar with Bombay. While Bombay has a conglomerate population of people from all Provinces, a large section consists of people from Kathiawar and Gujerat; and it is no exaggeration to say that Bombay's trade and industries are practically what they are made by Kathiawaris and Gujaratis, and that the present trade and industries of the City of Bombay are mostly in the hands of enterprising businessmen from these places. It is but natural, therefore, that there should be a good deal of travelling between Bombay, Kathiawar and Gujerat. Surely, the B. B. & C. I. Railway which derived a large part of its income from these travellers should have been the last to overlook this; and yet, unfortunately, the interests and amenities of travellers on this line are practically set at naught and treated with indifference by the Railway concerned. It must be remembered that any handicaps placed upon the travellers in these parts and difficulties in the shape of over-crowding will mean not only hardship and harassment to the travelling public, but will also affect trade and industries, which will again go to reduce the income of the Railway concerned.

My Committee realize and appreciate the difficulties experienced by Railways on account of coaches and engine shortage; but the travelling public are not prepared to put up with and tolerate the inconveniences and harassment to which they are put now-a-days on account of the extremely curtailed service which the B. B. & C. I. Railway is giving to its patrons. Since

a long time past, my Committee and their representative on the Local Advisory Committee of the Railway have been drawing the attention of the Railway Administration to this over-crowding; but, they regret that all these complaints have not been followed by any redress. It is inconceivable, and yet it is true, that even women and children passengers have to stand, for hours together, in conditions of awful over-crowding even on their night journeys. The condition of male passengers is even much worse.

As pointed out before, this is the busiest route for passengers, and in this season there is the additional travelling population, due to people going out for their annual holidays, or for change, or for weddings. Surely, some consideration is due to this large travelling population, men, women and children, from the B. B. & C. I. Railway. It is with this view that my Committee approach the Government of India, with a request that they will be pleased to have immediate additions made to the service offered by the B. B. & C. I. Railway. They would specially like to draw the attention of Government to the fact that if the train, known as the Kathiawar Express, which started from Bombay in the early morning and reached Ahmedabad at 8 o'clock at night, and extended thence to Viramgam and had connections with trains in Kathiawar, were restored, it would go a long way to removing and redressing the grievances. Its counterpart also should be restored, viz. the train which came in the early morning from Viramgam to Ahmedabad and ran straight upto Bombay reaching here in the evening. This is the immediate solution required for removing the misery which the travelling public is undergoing. The travelling facilities even then might not be enough; but, looking to the present situation, my Committee consider that the restoration of the Kathiawar Express service, both on the outward and inward journeys, would meet with the needs of the travelling public to a fairly good extent.

It is hoped that Government will, in view of what is stated above, be pleased to meet with the wishes not only of the travelling public, but also of the business community, at least to this extent.

Letter No. 1191/TT/1 dated 20th May 1943 from Railway Board to Chamber.

I am directed to acknowledge receipt of your letter No. 1422 dated 8th May 1943. The curtailment of train services has been forced upon Railways by the exigencies of the military situation, the necessity for the movement of foodstuff and the coal situation. The Railway Board are fully aware of the resulting inconvenience and hardship to the travelling public, they greatly regret that in the circumstances prevailing they are unable to agree to the suggested additions to the existing passenger train services of the B. B. & C. I. Railway.

2. The Railway Board are glad to note that your Chamber realizes and appreciates the difficulties with which railways are faced under present conditions. They would, therefore, welcome your co-operation in the direction of dissuading the travelling public from undertaking any but the most essential travel, and persuading them to avoid, as far as possible, such journeys as those undertaken for annual holidays or for a change of surroundings.

Letter No. 1676 dated 3rd June 1943 from Chamber to Railway Board, New Delhi.

I am directed to acknowledge the receipt of your letter No. 1191-TT/1, dated 20th May 1943. My Committee are extremely sorry that even while " the Railway Board are fully aware of the resulting inconvenience and hardship to the travelling public " they greatly regret that " in the circumstances prevailing they are unable to agree to the suggested additions to the existing passenger train services of the B. B. & C. I. Railway ".

The demand made by my Committee was not much. As they wrote in their letter of the 8th May, they appreciated the present situation and the difficulties of Government and it was because of this appreciation of the difficulties that they put forward the demand to the lowest degree. They wanted only one day-train to be added, namely, the old Kathiawar Express, to the existing train services. The reason was very obvious. There is not a single day-train at present and all the night trains which are now reduced to the minimum are awfully over-crowded. They suggested that with the addition, or the

revival of the old Kathiawar Express, as being a day-train, the crowding would not lead to so much harassment, vexation and inconvenience, as the over-crowding in night trains. Such an addition, again, would tend to remove the congestion from the night trains. My Committee do not think that the resources of Government would not enable them to add, or rather revive, even one train. It is no use for Government to reiterate their old plea that the travelling public should be dissuaded from undertaking any but the most essential travel. The public is being dissuaded, since the war started, both by Government propaganda, as also by public institutions and the press against undertaking any avoidable journeys. More than all this, however, the public is being effectively dissuaded by the over-crowding which is taking place in every train and on all days. My Committee wish that this over-crowding was personally seen by Heads of Government Departments, as, then, they would try to find some remedy for the situation, and not merely say, in reply to all the protestations of public institutions, that the travelling public should be dissuaded from undertaking any journeys. Government, surely, know very well that the Indian people are proverbially ground down by poverty, and they would not undertake any journey, unless it was necessitated by social or economic circumstances. My Committee cannot help reminding Government as to how Government representatives themselves, last year at this time, persuaded people to leave Bombay and to go away to their native places. All those thousands of people, who thus at great expense to themselves and disruption of their family life went to their native places, have now come back or are coming back, as they had no occupation and no work in their native places and the main earning members of the family could not stay on indefinitely in Bombay without their womenfolk and children. It is mainly the middle and poorer classes who are suffering from this evil of over-crowding. The message of avoiding any needless travels should be carried, evidently, not only to Indians who are the travelling public but also to sections of the other travelling public and perhaps even to certain sections of Government services.

Under the circumstances, my Committee find it their regrettable duty to again place this question before Government

for such consideration and sympathy as they are inclined to bestow upon this extremely important problem, to save the people, atleast in one particular, from avoidable harassment and inconvenience.

Letter No. 1191|TT|1 dated 15th June 1943 from Railway Board to Chamber.

I am directed to acknowledge receipt of your letter No. 1676 dated 3rd June 1943 and to state that the Railway Board have noted the observations of the Indian Merchants' Chamber. They, however, greatly regret that owing to the prevailing coal situation they find themselves unable to modify their previous decision communicated to you in their letter No. 1191-TT/1, dated the 20th May 1943.

Letter No. 9060TX3 dated 7th July 1943 from Railway Board to Chamber.

I am directed to enclose herewith for your information a copy of letter No. 9060-TX/8 dated the 21st June 1943, addressed to all Provincial Governments on the above noted subject.

The Railway Board would greatly appreciate your co-operation by the issue of a similar appeal to the members of your Chamber.

The curtailment of passenger services on railways made originally to reduce coal consumption, and continued for that reason and to make way for important war traffic, has caused congestion and over-crowding to an extent which frequently prevents officials, both Civil and Military, from being able to undertake journeys without some delay. The Railway Board and individual railways have endeavoured through the medium of the press and by advertisements and posters to discourage travel by the general public. In spite of this, however, congestion persists.

2. The matter was considered at a recent meeting of the Central Priorities Committee at which it was decided that Provincial Governments and the Departments of the Central Government should be approached with a view to enlisting the voluntary assistance of their officers and staff in curtailing journeys to and from hill stations to the minimum. The Defence Services have linked certain hill stations and leave

areas with definite areas in the plains so as to reduce to the minimum the amount of travel involved and journeys contrary to these plans will be permitted only in very exceptional circumstances.

3. It is not possible to regulate public travel in the manner adopted by the Defence Services. A considerable contribution could be made, however, if Government servants and their families were to restrict their travel to hill stations and holiday resorts to those nearest to their headquarters, and the Railway Board would request Provincial Governments to issue an appeal to their servants accordingly.

Letter No. 2095 dated 30th July 1943 from Chamber to Railway Board, New Delhi.

In reply to your letter dated the 7th July 1943, regarding the discouragement of the long distance travel by rail, I have to state that the Committee of the Indian Merchants' Chamber carefully considered your Circular No. 9063-T.X./3. They fully appreciate your efforts to regulate travel by the members of the Defence Services " by linking certain hill stations and leave areas with definite areas in the plains ".

As regards your invitation for co-operation by the issue of a similar appeal to the members of the Chamber, the Committee, though fully appreciating the " travel only if you must " campaign, desire that the Railway authorities should note that the curtailment of passenger services on railways seems to be excessive. The members of the public in general, and the mercantile community in particular, do not get any reasonable facility of travel even for the most essential purposes. In spite of the repeated requests, the Kathiawar Express is not restored and the passengers are undergoing great hardships on account of the very limited facility for travel between Bombay and Kathiawar.

The members of the public at present do not at all travel for the purpose of pilgrimage or for attending Fairs, as the booking for such purposes is generally closed. In these days of curtailment of railway facilities, and the ever-increasing prices of daily necessities, the members of the public do not travel merely for the sake of pleasure. Generally they travel only when they must.

The existing facilities of travel are insufficient. The travellers have to wait in long queues at the Booking Offices and many of them have to cancel their journeys when tickets are not available. The railway trains are so over-crowded that many third-class passengers have even to stand for many hours at night on footboards, thus exposing themselves to the grave risk of their lives. The present congestion in the trains is not due to any unnecessary travelling, but due to the excessive curtailment of the passenger services.

The Committee would like the Railway Board to move the Military authorities (as well as the Civil authorities both at the Centre and in the Provinces) to have the question closely examined, whether the occasions for and the volume of movement on the part of officers and men of that Department are genuine and pressing, and whether the same could not be curtailed with advantage both to the military as well as to the civil population. Methods of leave, conferences, official and personal business, and reporting on work, etc. have not been overhauled by anybody in particular and are prone to continue causing great inconvenience to all. Without any reflection, therefore, it may be suggested that a close examination of the reasons for official travel, particularly of the Military Department, may be made and if any scope for curtailment therein is discovered, the same may be put into operation.

It is generally the apprehension of the travelling public that privileged people are allowed to travel in the name of military and war requirements and in the absence of any non-official element being present on any Transport Organizations, either Executive or Advisory, it is not possible to know whether all the use and accommodation of railways in India is genuinely used for war purposes and whether some part of this can be utilized for the use of civil population. Unless the representatives of the people are taken into confidence and placed on Transport Organizations, we are afraid that the unnecessary waste in the use of railways in India will continue to the detriment of the general travelling public.

The Committee of the Chamber are always ready to extend their co-operation, but at the same time desire the Railway Board to note the various hardships to which the travellers are subjected and to redress their grievances.

Letter No. 9060-TX|3 dated 15th August 1943 from Railway Board to Chamber.

I am directed to acknowledge receipt of your letter No. 2095 dated the 30th July 1943, and to thank you for the suggestions made, which will receive the Board's careful consideration.

2. In regard to the curtailment of passenger services generally, and the restoration of Kathiawar Express in particular, the Railway Board much regret that the present situation does not permit any modification of the position as stated in their letter No. 1191-T.T./1, dated the 15th June 1943.

APPENDIX 19

Transport of Stone between Than and Santh Road Stations

Letter No. 619 dated 1st March 1943 from Chamber to B.B. & C.I. Railway, Bombay.

Messrs. Gor & Co., who are members of this Chamber, have forwarded to my Committee a copy of their letter dated the 30th January 1943 addressed to you regarding restriction on the movement of stone wagons between Than (Kathiawar) and Santh Road Station on the B. B. & C. I. Railway. As has been pointed out therein, the stone which they require for their glass factory in Santh Road is not stone as commonly understood, but a sort of sand lump; the same is required as an important raw material in the process of glass manufacture. Glass is an essential article of civil requirement; it is also required in different forms for purposes, directly or indirectly, connected with the war. If, therefore, the company experience any difficulty in getting timely supplies of their essential raw material, over and above the dislocation in the working of the industry as such, considerable inconvenience is likely to be caused to the public at large by the company not being able to fulfil their commitments with the buyers. It is, therefore, requested that you will kindly look into the matter and issue instructions for allowing movement of the special type of sand stone required by the company for their glass works.

Letter No. MT4|43 dated 5th March 1943 from B.B. & C.I. Railway to Chamber

In view of the general shortage of wagons, it is suggested that the firm obtain their supplies of sand stone from the nearest Broad-Gauge station where this commodity is available.

I understand that the firm have since arranged to obtain their supplies from Sawai Madhopur and orders have been given for the necessary wagons to be supplied, as required.

APPENDIX 20

Absence of Water Supply and Fire Extinguishing Appliances at Malkapur

Letter No. 1378 dated 29 April 1943 from Chamber to Chief Traffic Manager, G. I. P. Railway.

It has been pointed out to my Committee that there has been recently a number of fires in the Goods yard attached to the Malkapur Railway station. As you know, the station is an important centre for despatch of cotton and it is, therefore, necessary to take note of the experience in regard to fires there and take steps to prevent the same.

In this connection, my Committee understand that the Goods Yard is very near the main line with the result that there is always the danger of cotton stocks getting ignited, by sparks from engines of moving trains. There is also the danger of sparks igniting the cotton when stacked on a platform awaiting transport by a goods train. The location, therefore, of the Goods Yard has to be changed so that there may be a safe distance between the place of storage and the main line.

As sometimes supplies of cotton have to be kept stored awaiting allotment of wagons, it is desirable that a sufficient number of Tarpaulins are also made available at the station so that the bales could be kept covered, thus minimizing the risk of fire.

Again, there is no proper water supply arrangement at the station. In view of the fact that the centre exports cotton in good quantities, it is necessary that water hydrants and fire extinguishing appliances should be provided. The absence

of these essential facilities, it has been pointed out, has led to great damage in the past and whenever a fire occurred practically a good part of the stock got burnt and attempts at salvage were not generally fruitful.

In conclusion, my Committee may also mention that Fire Insurance companies are seriously exercized over the frequency of fires in the station and the high ratio of loss experienced. If, therefore, the railway authorities do not provide the necessary facilities as indicated above, the trade will experience difficulties in handling cotton from that centre. It is requested that you will be pleased to look into the matter and take early steps to meet the situation.

Letter No. G.W.|1428 dated 6th May 1943 from G. I. P. Railway to Chamber.

Cotton is stacked on an open platform at the west-end of Malkapur station. Although there is no evidence that the recent cotton fires have been caused by sparks from engines, the question of constructing a cotton loading platform on another site is already under consideration.

2. As regards fire appliances, this station has already got the following equipment :—

20 Fire Buckets,

4 Minimax Fire Extinguishers,

1 Sand Bin.

Letter No. 2657 dated 28th September 1943 from Chamber to G. I. P. Railway.

With reference to my letter No. 1378, dated the 29th April 1943, resting with your letters No. GW/1428, dated the 6th May 1943 and GW/1428 dated the 29th July 1943, on the above subject. I am directed by my Committee of this Chamber to point out that no action seems to have been taken in connection with the construction of a separate platform at Malkapur Station.

I am to state, in this connection, that the new cotton season is approaching and the work in connection with Ginning and Pressing is likely to commence in a month's time. It is, therefore, quite essential that a separate platform should be constructed at an early date, in order to avoid any damage to cotton bales

lying on the present platform on account of sparks emitting from engines.

I am, therefore, to request you to do the needful in the matter as soon as possible.

Letter No. G.W.|1428 dated 7th October 1943 from G. I. P. Railway to Chamber.

I have to inform you that at the meeting of the Local Advisory Committee held at Nagpur on the 5th July 1943, the General Manager of this Railway stated that a plan for the provision of a cotton loading platform on the north side of the line had been prepared. He further agreed that the present arrangements were not altogether satisfactory, and hoped that the new proposals for improvement might be carried out but as they involved provision of new track, he could not promise any date.

APPENDIX 21

Restrictions on Booking of Tobacco

Letter No. 1917 dated 8th July 1943 from Chamber to G.I.P. Railway, Bombay.

The attention of my Committee has been drawn to the difficulties experienced by tobacco merchants from Anand, Gujerat, as a result of restrictions placed on the transport of tobacco on the G. I. P. Railway. It may be pointed out, in this connection, that large stocks of tobacco are being accumulated in many of the districts of Gujerat, as a result of which, prices of the commodity tend to go down considerably during recent months. The result of the restriction on the transport of tobacco has besides an adverse effect in places where this commodity is largely used, viz. Berar and C. P. and is responsible for creating shortage of country biris. It will be found from this that merchants at both the places, viz. Gujerat on the one hand, and C. P. and Berar on the other are put to great inconvenience and hardship, on account of the restriction placed on the transport of this commodity.

My Committee, therefore, request that you will be kind enough to lift the ban placed on the commodity and alleviate the deteriorating situation in the trade both in the interest of

the producers and consumers from the districts of Gujerat and the districts of C. P. and Berar, respectively.

Letter No. G. 494|11 dated 15th July 1943 from G. I. P. Railway to Chamber.

Tobacco has been given a high priority, viz. Item 3(*d*) of this Railway's Priority List for the month of July 1943.

Will you please advise your merchants of the same.

APPENDIX 22

Restrictions on the Booking of Consignments of Dates and Dry Fruits to Madras, Allahabad and Cawnpore.

Letter No. 2227 dated 13th August 1943 from Chamber to G. I. P. Railway, Bombay.

The attention of my Committee has been drawn to the difficulties experienced by the members of the Bombay Kharek Bazar & Mewa Merchants' Association on account of the restrictions placed on the transport of dates, dry fruits, dry dates, etc. from Bombay to Madras, Allahabad and Cawnpore. It has been pointed out to my Committee that the members of the abovementioned Association have not been getting wagons since the last four months as a result of this restriction and the commodities which are perishable are lying in their godowns without any use.

Dry fruits get spoiled if they are not disposed off immediately in the market. Heavy stocks of these fruits are being accumulated in the godowns and need to be disposed off soon. It is, therefore, essential that this restriction should be waived, so that the merchants may be able to transport their consignments as soon as possible.

I am, therefore, directed to request you to kindly do the needful in the matter.

Letter No. G. 494|W.B. dated 18th August 1943 from G. I. P. Railway to Chamber.

I have to state that on this Railway booking of goods traffic is regulated according to a Priority List. The commodities referred to above come under Item No. 8 of that list. Under the present conditions, it is very unlikely that wagons will be available for this traffic.

If, however, you desire the consignments to be booked under a higher priority, this can only be arranged on the recommendations of the Regional Controller of Railway Priorities, Madras, in regard to bookings to Madras and Deputy Regional Controller of Railway Priorities, Cawnpore, so far as bookings to Cawnpore and Allahabad are concerned.

APPENDIX 23

Restrictions on Despatch of Soap to U. P.

Letter No. 2736 dated 7th October 1943 from Chamber to Regional Controller of Railway Priority.

With reference to the booking of soap from Bombay to stations on the B. B. & C. I. Railway, it has been brought to the notice of my Committee that priority certificates for the despatch of soap have not been granted by your office to several merchants and manufacturers of the commodity under reference. My Committee would like to know, in this connection, whether Government have decided not to accept booking of soap from Bombay to stations on the G. I. P. and B. B. & C. I. Railways. They would also like to know if the authorities have any zonal arrangements on the basis of which booking is regulated for particular areas during certain days in the month. It may be pointed out, in this connection, that while on the one hand heavy stocks of soap are being accumulated in the City, merchants in the mofussil centres badly need the supply of this essential commodity of daily use. Further, if the manufacturers are not in a position to supply soap to their clients outside the City, they are likely to lose their business, resulting naturally in heavy loss.

My Committee, therefore, will thank you to kindly inform them as to the arrangement that is being followed by your Department in granting wagon supply for the despatch of soap from Bombay to stations on the B. B. & C. I. and G. I. P. Railways.

Letter No. P.G. 145 dated 18th October 1943 from Regional Controller of Railway Priorities to Chamber.

In reply to your above, I have to inform you that there is no ban on movements of soap from Bombay to stations on the

B. B. & C. I. and G. I. P. Railways except to those stations of these Railways which are situated in the U. P. It is known that stations so situated can obtain adequate supplies of soap from nearer sources.

2. When soap from Bombay to stations on the B. B. & C. I. and G. I. P. Railways other than stations in the U. P., cannot move in the normal way I am prepared to extend priority assistance so far as prevailing conditions will permit provided re-booking is not involved.

APPENDIX 24

Despatch of Paper by the Railways

Letter No. 2733 dated 7th October 1943 from Chamber to Regional Controller, Railway Priorities, Bombay.

Messrs. Mahomedally Hebatbhoy & Co., who are large dealers in paper have brought to the notice of my Committee that they have not been getting the priority to despatch paper from Bombay on the B. B. & C. I. Railway stations. It may be recalled, in this connection, that the firm concerned are the authorized dealers appointed by the Paper Control and Distribution Association and the Indian Paper Sales Association for the Titaghur Paper Mills Co., Ltd., Calcutta. They have been distributing paper on a rationed basis at Government controlled prices and in several cases even below these prices for the benefit of small publishers in mofussil centres.

Paper has come to be regarded as an essential article of daily use for business concerns, schools, colleges and printing houses. It is, therefore, essential that the supply though, limited in quantity, should be maintained for the use of the Institutions mentioned above.

My Committee, therefore, shall thank you if your office will grant the necessary permit to despatch the article in question, so that the firm can meet the necessary requirements of those who are absolutely in need of the article under reference.

Letter No. 37(1)16309V dated 25th October 1943 from Board of Transport to Chamber.

Reference your letter No. 2788 dated the 14th October 1943. I am directed to state that a general priority for the transport of paper required by Messrs. Mahomedally Hebatbhoy & Co., Bombay, cannot be granted. I am to add that a scheme for the direct despatch of paper from the paper mills to the districts is under consideration of this Board. In the meantime individual applications for priorities for consignments to districts received by this Board will be considered on their merits.

APPENDIX 25

Transport Arrangement for Linseed and Groundnuts

Letter No. 2288 dated 20th August 1943 from Chamber to Board of Transport, Bombay.

The attention of my Committee has been drawn to the precarious position in which merchants from Bombay have been placed as a result of the defective policy pursued by the authorities in regulating imports of linseed and groundnuts and in allotting wagons for importing the same to the City. It appears that export of linseed from up-country centres has been monopolized by a few exporters, and they have come to occupy a position to dictate the prices of this commodity at their sweet will. The natural consequence of this situation has been that prices of linseed in up-country centres have been considerably reduced affecting thereby the economic position of the cultivators. Moreover, the zonal system on the basis of which wagons are allotted has an equally deteriorating effect in the arrivals of linseed into Bombay, as freely as it used to be. My Committee, therefore, feel that the authorities concerned should take a proper view of the situation and allow the export of linseed from up-country centres to those who deal in the trade as also liberalize the policy in allotting wagons for the despatch of the same from up-country centres.

With regard to the position of groundnuts, the situation, it appears, has become very complicated by the fact that only the Millers and Crushers are given priority certificates for bringing groundnuts from up-country centres to Bombay. The natural consequence, in this case also, has been that free

competition in the trade has come to an end and buyers of this commodity who are restricted to a small group dictate prices of groundnuts and have been playing the same role as that of speculators on the bear side in a futures market. The Millers and Crushers referred to above buy groundnuts in up-country centres at lower prices and sell oil and oilcakes in the City at considerably higher prices. The position in the trade has further become still worse due to the Government of Bombay having issued an Order freezing stocks of groundnuts which are estimated to be not more than 50,000 bags. If the import of groundnuts is not allowed on a free basis and if the procedure in allotting wagons is not modified, my Committee feel that prices of oilcakes are likely to go up.

They would, therefore, like to request the authorities to abolish the present zonal system and permit the import of groundnuts into Bombay freely to all merchants without the necessity of having priority certificates and to waive the freezing order on groundnuts which has, more or less, completely discouraged free trade in the City.

Letter No. 48(1)8797|V dated 28th August 1943 from the Board of Transport to Chamber.

Reference your letter No. 2288, dated the 20th August 1943. I am directed to state that the various points raised in your letter were considered by the Groundnut Movements Panel at its meeting held on the 24th August 1943. As regards your suggestion that free movement of groundnuts to Bombay should be allowed as crushers are, at present, reported to be pushing down the prices of groundnuts and at the same time selling oil and oilcake at a higher price, the Panel considered it would be unwise to allow free import into Bombay so long as the limited transport facilities make it likely that some dealers may get stocks in Bombay, perhaps for speculation, while some crushers are not able to secure their minimum requirements. In this connection, I am to invite your attention to the position at the beginning of this year when in spite of large imports by dealers under the general priority then given to groundnuts for Bombay the groundnut prices continued to rise and the crushers found it difficult to obtain groundnut at reasonable prices. I am to add that the Panel considered the present price of groundnut

is far from low and was of the opinion that it could even now bear some reduction. As for the allegation that the crushers are selling oil and oilcake at excessive prices, this is a separate issue which the Chamber might take up separately with the crushers and perhaps with the Government. However, at the Panel meeting the crushers contested the allegations made against them and desired me to inform you that they would be glad to place the facts and figures before the Chamber if the Chamber wishes to look into the costs and price position of oilcake.

Letter No. 2854 dated 22nd October 1943 from Chamber to Board of Transport.

With reference to the correspondence, on the above subject, ending with your letter No. 48(1)/8797/V, dated the 28th August 1943, on the question of imports of groundnuts into the City, I am directed to state that the Committee of this Chamber have considered your letter under reference, and had also the advantage of meeting representatives of the Seeds trade and oil-crushing industry on the movement of groundnuts. The representatives of the industry assured my Committee that the prices charged by them for oil were not high and suggested that the question of the control of oil prices would only arise after the prices of seeds, oilcakes and stores required by the industry were also simultaneously controlled. They further pointed out that the requirements of the industry in regard to wagons were being met with only to the extent of 50 per cent, and while they were anxious that their own requirements of wagons should be met with in full, they had no objection to the Seeds trade getting wagons. My Committee, after considering all these viewpoints, beg to urge the Transport Board that the requirements of wagons for the crushing industry should be met with in full and that the Seeds trade should also be provided with transport facilities so that the requirements of seeds for trade purposes, including H.P.S. groundnuts for edible purposes, could be met with. The Seeds trade should also be given representation on the Groundnuts Movement Panel, so that their views and requirements might be effectively placed before that body.

Letter No. 48(1)17467/V dated 4th November 1943 from Board of Transport to Chamber.

Reference your letter No. 2854 dated the 22nd October 1943. I am directed to state that since the Groundnut Movements

Panel is constituted to ensure, under the present conditions of wagon shortage, regular supplies of groundnut seeds to Millers in Bombay and since the supplies to Millers are hardly sufficient to meet their demands, the Panel considers that no useful purpose would be served by having a representative of the seed trade on it.

Letter No. 3053 dated 20th November 1943 from Chamber to Finance Department, Government of Bombay.

The Committee of this Chamber had recently carried on correspondence with the Board of Transport regarding arrangements for the transport of groundnuts to Bombay. They had emphasized that, while they recognized the need for regular supplies of groundnut seeds to millers for their crushing operations, some provision should also be made for meeting the requirements of the seeds trade as such, so that the trade might not be completely starved of supplies of oilseeds. They had further urged that the seeds trade should also be given representation on the Groundnut Movement Panel so that their views and requirements might be effectively considered by Government in regulating the transport facilities. They were in reply informed that as supplies of seeds to millers were hardly sufficient to meet their demands, no useful purpose would be served by having a representative of the seeds trade on it.

In this connection, my Committee would like to urge for the consideration of Government one particularly important aspect which has a great bearing on the supplies of foodstuffs to Bombay City and Presidency. Government may not be unaware of the fact that groundnuts, particularly the H.P.S. variety, has a food value and there are quite a large number of people, mainly drawn from the poorer classes, who are accustomed to take this article as a supplementary item of foodstuff. It is of importance that supplies of groundnuts for such food requirements should be freely and adequately made available, more so on an occasion like the present when the pressure of demand on other foodgrains is really great. There is also no justification for denying the people of this Presidency this article of diet to which they were normally accustomed. There are supplies of seeds in the country and although my Committee have been for a considerable time pressing upon the Government of India the necessity for im-

posing a ban on the export of oilseeds outside India, they are reliably informed that large quantities of oilseeds are allowed to be exported from other port centres like Marmagoa, Madras, etc. to the Ministry of Food, U.K. When exports are thus allowed, there is no reason why arrangements could not be made to supply the requirements for edible purposes of groundnuts to Bombay.

My Committee, therefore, stress that the Government of Bombay should provide necessary transport facilities for bringing into the city sufficient supplies of groundnutseeds particularly of the H.P.S. variety for the normal edible requirements here. They should also take up with the Government of India the question of prohibiting the export of groundnuts from other ports; exports from Bombay have been prevented and it is unfair to the merchants that while they are denied of their share of the export trade, exports should be allowed to be continued from other port centres.

It is hoped that the Government of Bombay will be pleased to take early action in the matter.

APPENDIX 26

Supply of Wagons for Transport of Strawboard from Meerut

Letter No. 1205 dated 15th April 1943 from Chamber to Board of Transport, Bombay.

The attention of my Committee has been drawn to the difficulties experienced in Bombay in the matter of getting supplies of strawboards. In view of the inadequacy of stocks, the price of strawboards has gone up substantially. The consumers are experiencing serious difficulty in getting their supplies; at the same time, strawboards are available with the manufacturers and the chief difficulty appears to be lack of wagons for transporting the same. Messrs. Jaswant Strawboard Mills Ltd., Meerut, have contracted to sell strawboard to different mills, the Gold Filled Leather Works and to various other constituents in Bombay. If the supplies from the said mills are allowed to reach Bombay, the difficulty will be solved.

On enquiry, my Committee are given to understand that the N. W. Railway would consider the allotment of wagons for

strawboards only if the B. B. & C. I. Railway agree to the same. In view of the existing supply position here of strawboard for civil requirements, it is requested that you will be pleased to consider the matter and arrange with the N. W. Railway for some wagons being allotted for this traffic. Full information of the requirements and other details will be furnished by the Jaswant Strawboard Mills, Ltd., Meerut.

Letter No. 411(1)16309|V dated 29th April 1943 from Board of Transport to Chamber.

Reference your letter No. 1205, dated the 15th April 1943, on the above subject. I am directed to state that the Board has also received a number of applications from merchants in Bombay requesting preferential transport of strawboards from Bhopal. Those merchants and Messrs. The Straw Products Ltd., Bhopal, have been requested to furnish particulars of the essential work for which strawboards are supplied by them. They have, however, not supplied any definite information so far.

2. Priority cannot be arranged by the Board till information regarding the necessity and urgency of the use to which strawboards are put is made available. I am, therefore, to request you kindly to supply to this Board, if possible, particulars of the essential demand for strawboards in Bombay. Priority can be arranged only for essential work.

APPENDIX 27

Congestion in Trams and Buses and Necessity for Staggering Business Hours

Letter No. 6273|34-E dated 4th August 1943 from Government of Bombay to Chamber.

I am directed to refer to letter No. AST., dated the 3rd July 1943, from the General Manager, Bombay Electric Supply and Tramways Company Limited, to Government of which a copy was addressed to you, and to enquire whether your Chamber has considered the possibility of spreading over the closing hour of business premises as therein proposed. I am to say that the increasing pressure on passenger services in the City, combined

with the difficulty of maintaining public transport vehicles in good repair during war time, is likely to lead to a serious position in the near future, and Government would welcome any suggestions from your Chamber for relieving the peak load on these services.

Letter No. 2277 dated 19th August 1943 from Chamber to Government of Bombay.

I am directed to acknowledge the receipt of your letter No. 6278/34.E, dated the 4th instant on the above subject and to state the views of my Committee as under :

My Committee have carefully gone through the Representation made by the General Manager, B. E. S. T. Company to the Government of Bombay in connection with the change in the opening and closing hours of Offices so as to minimize the heavy rush at peak hours on trams and buses running in the City. My Committee find that there is an urgent necessity for devising certain plans which can minimize this rush at peak hours. They understand that Mr. Trollip is to submit such *plans* and other suggestions after his inquiries are completed. They feel that the present fleet which the B. E. S. T. Company have is not adequate to cope with the increased population in the City and, therefore, suggest that the Government of Bombay might recommend to the Government of India to release some vehicles under " Lend-Lease ", for the use of the B. E. S. T. Company, thereby enabling them to provide additional facilities to the travelling public.

As regards the change in the opening and closing hours in Offices, my Committee would like to observe that various areas in the City have their own problems, as regards the opening and closing hours of shops and offices. Different trades have varying hours of work and, therefore, the Committee of the Chamber would like to await the final plan from the B. E. S. T. Company, before giving their views on the staggering of hours of work.

APPENDIX 28

Closing of Goods Booking from Wadi Bunder to Rayapuram (Madras)

Letter No. 1356 *dated* 28*th April* 1943 *from Chamber to G. I. P. Railway.*

Merchants doing business with South India have drawn the attention of my Committee to the difficulties experienced by them by the action taken by your Railway administration in closing completely all bookings from Wadi Bunder to Rayapuram (Madras). In this connection, it has been pointed out to them that about 6,000 bags of cumin seeds purchased before the restriction for being consigned to Madras are now lying in Bombay and cannot be moved. The merchants concerned have already paid the purchase price and the sellers, therefore, are insisting on their removal because of difficulty in the matter of godown accommodation in Bombay. You are also aware that the Director of Civil Supplies has prohibited the export of food articles including jeera seeds by sea either in steamers or in country-crafts; thus the goods in question can only be moved by rail.

Under the circumstances, if booking is not re-opened and the necessary facilities are not provided to the merchants concerned, they will be put, in addition to great financial loss, to serious inconvenience and trade difficulties.

It is, therefore, requested that you will be pleased to look into the matter and arrange for the necessary facilities by re-opening booking.

APPENDIX 29

Steamer Service between Bombay and Vengurla

Letter No. 886 *dated* 17*th March* 1943 *from Chamber to The Indian Shipping Adviser, Bombay.*

I am directed by the Committee of the Indian Merchants' Chamber to address you in connection with the shortage of steamer service experienced by residents of Vengurla district. As you are aware, the City of Bombay is very closely connected, both socially and commercially, with Vengurla and other adjoining districts. A large traffic in passenger and goods passes every year between Bombay and Vengurla. As the journey between

Vengurla and Bombay by road and rail was not only very long and uncomfortable, but also expensive, most of the traffic passed through steamers in previous years. My Committee have been informed that recently due to the curtailment of steamer service passengers from Vengurla to Bombay and Karachi have to proceed *via* Belgaum by buses. Owing to petrol shortage, bus service is also curtailed with the result that passengers have to wait for days before they get accommodation in buses.

Further, it may be pointed out that the chief trade between these districts and Bombay is that of mangoes. Every year between thirty to forty thousand parcels of mangoes are despatched to Bombay and Karachi and about the same quantity is being exported to up-country. This year, the mango crop being fairly good, it is expected that the quantity to be exported to Bombay and Karachi will be increased by about fifty per cent. Last year, these parcels had to be despatched by carts and buses, but the mangoes were spoiled as the transit period by carts was from six to ten days, as a result of which the growers of mangoes had to suffer losses amounting to rupees five to six lakhs. It may also be mentioned that buses fitted with gas plant are unsuitable for long journeys and heavy loads especially through the ghats. It is, therefore, apprehended that, if suitable arrangements are not made for restarting the regular steamer service between Vengurla and Bombay, growers and traders will suffer heavy losses. Passengers are already put to hardships due to tedious and expensive bus journeys.

Having regard to what my Committee have stated above, Government will realize the urgent necessity of a steamer service between Vengurla and Bombay, and my Committee trust that Government will be pleased to restart such a service at an early date, in order to relieve the acute situation prevailing at present in the Vengurla district.

Letter No. Y-23|5 dated 1st April 1943 from Indian Shipping Adviser to Chamber.

With reference to your letter No. 886 of the 17th March and my reply No. Y-23/4 of the 25th March, I have to inform you that the Transport Advisory Board have considered the matter, and in view of the unlikelihood of a steamer being available before the beginning of the monsoon, it has been suggested

that part of the mango crop should be carried in country-craft. The Country-craft Organization Officer has instructed his Intelligence Officer at Vengurla to get in touch with the chief mango producers, and it is hoped that country-craft together with the Bombay Steam Navigation Company's S. S. " Chandravati " which makes alternate voyages to Ratnagiri and Malwan, may help to relieve the situation.

Letter No. 44(4)16394|IV dated 27th April 1943 from Director of Civil Supplies to Chamber.

With reference to your letter No. 1209, dated the 15th April 1943, I am directed to state that mangoes should be imported by steam launches.

Letter No. 1209 dated 15th April 1943 from Chamber to Supply Commission, Bombay.

My Committee had recently addressed a letter to the Indian Shipping Adviser drawing his attention to the difficulties experienced in the matter of transport of mangoes to Bombay and requesting him to arrange for a steamer service between Bombay and Vengurla to meet the situation. A copy of this letter together with a copy of the reply received from the officer is sent herewith. You will see therefrom that the Shipping Adviser proposes that arrangements should be made to transport mangoes by country-crafts. In this connection, it has to be pointed out that quick and speedy transport is an essential factor in the marketing of a perishable, delicate article like mangoes. It will be appreciated that if mangoes are transported by country-crafts, a good part of the same will get spoilt because of the long time involved in transit; as such, the arrangement suggested will not, in the opinion of my Committee, prove successful. The one steamer which is making alternate voyages to Ratnagiri and Malwan cannot also carry appreciable quantities of mangoes with the result that although there is expected to be a good crop this year, Bombay will be deprived of a full complement of supplies for want of transport.

My Committee are aware that this matter does not directly concern your Department. In view, however, of the present difficult position in regard to fruit supplies, it is felt that if arrangements for bringing in mangoes in good lots are made, the same would provide a supplementary fruit article relieving to

some extent, the existing food situation. The problem may, therefore, well be treated as one of arranging transport for supplementary foodstuffs.

It is requested that you will be pleased to examine the suggestion and to arrange for increased steamer facilities between Bombay and Vengurla. As the mango season has already begun, early action is necessary in the matter.

APPENDIX 30

Tariff Rates for Booking of Cheese of Railways

Letter No. 2737 dated 7th October 1943 from Chamber to Chief Traffic Manager, G. I. P. Railway.

I am directed by my Committee to address you in connection with the classification of cheese for purposes of railway freight.

Some years back, the question of classifying cheese under ' perishable ' articles was discussed by the Railway Authorities who had made enquiries whether it was necessary to include the same in the list of ' perishable ' goods, which could be despatched by passenger trains at half the parcel rates. At the time, however, when this point was being discussed, cheese was not manufactured in India on a commercial basis, and as such, the question of including cheese under ' perishable ' articles did not arise.

The Government of India have, recently, handed over the Government Research Creamery at Anand to Messrs. Polson Limited, and it is found that the quantity of cheese manufactured by them outgrows the requirements of the military authorities. Messrs. Polson Limited find that the quantities which are available, after meeting the Defence Services requirements, for civil purposes would be best utilized outside the place where it is manufactured, if the same is allowed to be transported by Railways at a reduced rate.

It may be added, in this connection, that butter fresh and butter tinned are included under ' perishable ' articles and my Committee strongly feel that cheese should also be included under the same category.

My Committee would request in conclusion that you will kindly take necessary steps to get cheese classified under ' perishable ' articles for purposes of railway freight.

APPENDIX 31

Wagons for Transport of Oil Cakes to Diksal Station

Letter No. 1404 dated 6th May 1943 from Chamber to Board of Transport, Bombay.

Messrs. Marsland Price & Co., Ltd., have contracted to purchase about 1000 tons of oilcakes in Karanja and Burhampur for transport to Diksal for purposes of use as manure in their sugar farms at Walchandnagar, Poona District. They are, however, experiencing difficulty in getting the necessary wagon facility for moving the goods from the above stations to Diksal. The railways, when approached, it appears, advised the party that they should draw their supplies from the neighbouring markets and if supplies were not available in such nearby centres, they should get their requirements from Bombay.

My Committee appreciate that in these days of transport shortage, it is necessary to eliminate avoidable traffic and that, as far as possible, supplies should be drawn from the nearest markets. At the same time, they would like to point out that in the particular circumstances of this case, the party concerned have already contracted for the purchase of about 1000 tons of cakes and that at all events they will have to adhere to and fulfil that contract. Moreover, as the Bombay prices at present are high, my Committee feel that the party should be enabled to move the purchases they have already made in Khandesh at favourable rates.

It is, therefore, requested that the Board will be pleased to consider the matter favourably and permit Messrs. Marsland Price & Co., Ltd., to move the quantities they have already acquired at the two stations, viz. Karanja and Burhampur by sanctioning them the necessary transport priority.

Letter No. 45(1)20517/V dated 8th June 1943 from Board of Transport to Chamber.

Reference your letter No. 1404, dated the 6th May 1943, on the above subject. The Regional Controller of Railway Prio-

rities, Bombay, has informed the Board that oilcake traffic *Ex* Central Province and Berar is restricted and cannot move except under a permit from the Government of Central Province and Berar. Messrs. Marsland Price & Co., Ltd., Bombay, may, therefore, please be advised first to obtain the necessary export permit from the Government of Central Province, and then to apply to this Board for transport facilities.

APPENDIX 32

Maximum Weight of Inland Postal Parcels

Letter No. 3226 dated 16th December 1943 from Chamber to Department of Post and Air, New Delhi.

The attention of my Committee has been drawn to a recent communique issued by the Postal authorities some time in the first week of this month in connection with the reduction of a maximum limit of weight permitted for inland parcels—from 1000 tolas to 160 tolas. My Committee note the contentions advanced by the authorities in reducing this maximum limit, but would like to point out that the limit fixed, viz. 160 tolas is too low, to send even ordinary parcels which businessmen have generally to send through the Postal agency. They, therefore, suggest that a higher weight, viz. 440 tolas should be fixed as a maximum limit for inland parcels. My Committee will feel obliged if the authorities consider the above suggestion favourably and issue a supplementary communique accordingly.

Letter No. C-8-8|43 Pt. dated 10th January 1944 from Indian Posts and Telegraphs Department to Chamber.

With reference to your letter No. 8226 dated the 16th December 1943 to the address of the Secretary to the Government of India, I am directed to invite a reference to the Postal Notice dated the 8th December 1943 in which the reasons for the imposition of the restriction on the weight of inland parcels have been detailed. The Director-General fully recognizes the serious inconvenience which has been caused to the public by the restriction on the weight of inland parcels, but, as explained in the Press Communique and also in the postal notice referred to, this was forced upon him by the traffic position. The matter is of a temporary nature and

it is hoped that the position will be restored as soon as possible. It is also expected that, in the meantime, the public will accept the inconvenience as inevitable under the circumstances created by the war. It is regretted that your suggestion for a higher maximum limit of 440 tolas cannot be accepted.

APPENDIX 33

Trunk Telephone Call Difficulties

Letter No. 1658 dated 2nd June 1943 from Chamber to Post and Telegraph Department.

I am directed to refer to a communication dated 19th May 1943, addressed to the Superintendent, Indian Posts & Telegraphs Department, by a Member-firm, Messrs. Hasham Premji, (*a copy of which I am enclosing herewith for your ready reference) complaining against the behaviour of your staff in connection with a trunk call they made to Bara-Bazar, Calcutta.

The subject-matter of the complaint is that the Trunk call connection was cut off in the midst of the conversation and was not resumed in spite of the repeated requests to do so. My Committee feel that the complaint of Messrs. Hasham Premji deserves to be looked into by your Department, as the public are entitled to due courtesy in the handling of such public services. My Committee have received other complaints also in this connection.

You will agree that the public should be treated considerately and it is, therefore, that my Committee suggest that an enquiry should be made by your Department in such cases.

Letter No. PH19-3|43 dated 22nd September 1943 from Post and Telegraphs Department to Chamber.

With reference to your letter No. 1658 dated the 2nd June 1943, I am directed to inform you that orders for the refund of the full amount of the call in question to the subscriber have been issued today as a special case. The inconvenience caused to your Chamber is much regretted.

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* Not printed.

APPENDIX 34

Movement of Cotton from Sind

Letter No. 2877 dated 26th October 1943 from Chamber to Cotton Movements Panel, Bombay.

The Committee of this Chamber are given to understand that recently the Cotton Movements Panel had under discussion the question of arrangements for transport of cotton from centres in Sind to Ahmedabad and stations round about. In this connection, they have also seen a copy of a telegram dated the 13th October addressed by the Karachi Cotton Association to the Panel. It would appear that certain proposals for diverting a part of the traffic by country-crafts by alternative routing arrangements are under consideration. It is suggested that cotton should first be sent from Sind and stations round about to Karachi by rail and thence by country-craft to Bedi to be railed again from there to stations of final destination. This diversion, instead of providing any relief so far as the railways are concerned, would lead to great pressure on the broad gauge from Hyderabad to Karachi. Moreover, Karachi, due to lack of storage facilities, cannot accommodate this transhipment traffic. The alternate route proposed is likely to lead to a great loss of time, loss of weight due to wastage in transit and transfers, and cause the trade interests serious inconvenience without in any way bringing relief so far as the railways are concerned.

Further, such periodical closing of booking or change in routing arrangements should be avoided in the interests of all parties concerned. The millowners who depend on that source of supply for their cotton will experience serious difficulties if their manufacturing activities are hampered by any delay or irregularity in the supply of this raw material. Cotton is moving in bulk in Sind at present; the other crops have not begun to move, but when they do so, the railways are likely to experience greater congestion, in which case movements of cotton will be further restricted. In the meanwhile, it is of great importance that full transport facilities should be provided for moving cotton from Sind by rail to stations in Gujerat, so that trade and industrial interests may not be put to any

inconvenience or loss due to shortage of supplies. My Committee hope to hear from you in reply at an early date.

Letter No. CX14|922|353, dated 29th October 1943 from Cotton Movements Committee to Chamber.

I am directed to acknowledge the receipt of your letter No. 2877 dated the 26th October 1943 and to say that the fixation of a restriction on the movement of cotton by rail from the Northern Free Area to the West Zone or certain portions thereof was discussed at a meeting of the representatives of various railway companies and representatives of the Cotton Movements Panel held in the General Offices of the G. I. P. Railway, Bombay, on Thursday, the 14th October 1943.

2. In this regard, the Cotton Movements Panel had suggested that the demarcation line proposed by the Department of War Transport, in their draft directive, namely, Luni-Marwar-Udaipur-Chitorgarh-Ratlam-Khandwa should be Kharagodha-Viramgam-Ahmedabad-Baroda-Godhra-Ratlam-Khandwa, so that cotton in full-pressed or half-pressed bales may be booked from any station in the Northern Free Area to stations in the West Zone on the above railway line and to the North-East of that line.

3. Item 2 of the minutes of the meeting referred to in para. 2 above reads :—

> " *Item* 2. It was agreed that the line as suggested by the Cotton Movements Panel be amended as follows :—
>
> Viramgam-Ahmedabad-Ratlam-Khandwa,
>
> and that cotton for stations on the B. B. & C. I. Railway broad gauge south of this line should move by sea from Karachi to the most convenient port south of Baroda, e.g. Broach, Surat, etc. and then be sent onward by rail, this latter being in the direction of the flow of empties on the B. B. & C. I. Railway."

4. The above decision was communicated by me to the Karachi Cotton Association in my letter No. CX14/282/246 dated the 22nd October 1943, a copy of which is enclosed for your information.

CX-14/282/246
Dated, 22nd October 1943.

" EXPRESS "

The Secretary,
The Karachi Cotton Association,
The Cotton Exchange, McLeod Road,
KARACHI.

Dear Sir,

I am directed to acknowledge the receipt of your telegram dated the 13th October 1943 regarding restriction on the movement of cotton by rail from the Northern Free Area to the West Zone and to say that the same was placed before the meeting held in the General Offices of the G. I .P. Railway, Bombay, on Thursday, the 14th October 1943 when after a full discussion, it was agreed that the line as suggested by the Cotton Movements Panel, namely :—

Kharagodha-Viramgam-Ahmedabad-Baroda-Godhra-Ratlam-Khandwa,

be amended as follows :

Viramgam-Ahmedabad-Ratlam-Khandwa,

and that cotton for stations on the B. B. & C. I. Railway, broad gauge south of this line should move by sea from Karachi to the most convenient port south of Baroda, e.g. Broach, Surat, etc. and then be sent onward by rail, this latter being in the direction of the flow of empties on the B. B. & C. I. Railway.

Yours faithfully,
(Sd.) A. R. MENEZES,
Dy. Secretary, Cotton Movements Committee.

APPENDIX 35

Free Days allowed for Storage of Cargo in the Docks

Letter No. D463 dated 11th February 1943 from the Bombay Port Trust to Chamber.

I am directed to address you regarding a proposal to reduce the number of free days allowed for storage of cargo in the Docks under Section III, paragraph A, sub-paragraph (*a*) of the Bombay Port Trust Docks Scale of Rates.

2. Owing to war developments the nature of traffic passing through the Bombay Port has changed materially in the course of the last 5 or 6 months. Formerly, exports formed a considerably greater proportion of the total traffic dealt with whereas now imports far exceed the exports. Under the old conditions as soon as an export ship had completed loading, the shed and quay space were automatically cleared and ready to receive imports, whereas now at most berths import ships follow each other in quick succession and it is not possible to alternate the berths between import and export cargoes. Thus unless import cargoes are cleared by the time the ship completes discharge, sheds cannot be used immediately for another import cargo.

It is observed that in many, if not all, instances, consignees take full advantage of the free days allowed under the rules. This period only begins to count from the date which is declared as the ' General Landing Date ' of the vessel discharging and which falls, as a rule, on or after the third day of discharge. In practice, this means that normally little or none of the cargo discharged before the declared day is delivered before the 7th or 8th day of discharge. The result is that towards the end of the discharge of the ship, the sheds become congested and the working is slowed down as the free days never expire before the completion of the discharge. On most ships the last free day falls at least two or three days after the ship has finished and the berth is useless as a discharging berth for a number of days after the previous ship has completed.

3. The concession of free days is definitely preventing the fullest use being made of the facilities of the Port and the expeditious discharge of cargo steamers, which will probably arrive in considerably larger numbers than ever before. All the indications are that the proportion of imports to exports will increase even further and it has, therefore, been suggested that, *for the duration of the war*, the free period should be reduced from 5 to 3 days or as an alternative Sudays and holidays should be included within the free period. I am to point out in this connection that the Port Trust has removed all restrictions and overtime charges for night and Sunday working.

4. I am to request you to convey the observations of the Indian Merchants' Chamber on the proposal at an early date.

Letter No. 564 dated 19th February 1943 from Chamber to Port Trust, Bombay.

I am directed to acknowledge the receipt of your letter No. W.163 dated the 11th instant, on the above subject. The matter was considered by my Committee at their last meeting. They are, however, of opinion that the proposal in question would cause considerable inconvenience to the trade interests concerned. As you yourself have observed, the General Landing Date more or less falls on or after the third day of discharge; there will be certain cargo for discharge even after the day of the general landing date; but the free period will begin to commence from the declared date. The proposal, therefore, to curtail the free days from 5 to 3, would mean that for certain consignees practically little time would be available for completing the clearance. There are also various other factors which have to be taken into account in considering this matter. Shortage of labour and shortage of transport facilities are found to cause difficulties to the trade interests concerned in securing a more speedy clearance of cargo. You will appreciate that it is not in the hands of such interests to improve the arrangements for these purposes; for, as long as the present pertol shortage continues, it will not be possible to expect any improvement in arrangements for quicker transport.

Under the circumstances, my Committee cannot approve of the proposal in question; nor do they favour the alternative of including Sundays and holidays within the free period. The trade interests should be given the existing facilities of full free period of five working days as prescribed under the Rules, and any reduction in that period is, in view of the several handicaps through which they suffer for the speedy clearance of goods during the war, bound to further seriously affect their interests.

APPENDIX 36

Railway Classification of Guwar

Letter No. 2478 dated 11th September 1943 from Chamber to G. I. P. and B. B. & C. I. Railway, Bombay.

The Committee of this Chamber have seen the letter addressed to you by the Grain Merchants' Association, Bombay, on the subject of the revision of classification of Guwar for the purpose of railway freight. My Committee feel that the arguments advanced by the Grain Merchants' Association in requesting the authorities to classify Guwar under " Grains & Pulses " are reasonable and that the Railway Authority would, in this connection, be merely following the practice which the Bombay Municipality is following for the purposes of Town Duty.

The question of classifying Guwar under " Grains & Pulses " was considered by the Railway Conference Association in 1937 and in 1940; but, it was found that on both the occasions, the Railway Board did not agree with the suggestion made by the Grain Merchants' Association. Guwar has nothing in common with other seeds and is in no way used for human consumption. It is solely used as fodder for cattle and if the classification of the commodity is included under " Grains & Pulses ", it would help the cultivators in obtaining Guwar at a much cheaper rate for feeding the cattle.

My Committee, therefore, request that the authorities would be helping the cause of the half-starved cattle, if they would see their way to extend this facility to merchants who have now, under the present classification, to pay higher freight rates, because of the commodity being put under " Seeds Common ".

Letter No. 101|35|111 dated 1st September 1943 from B. B. & C. I. and G. I. P. Railway to Chamber.

With reference to your letter of the 25th ultimo, wherein you suggest that Guwar which is at present indexed to " Seeds Common ", in the General Classification of Goods, should be indexed to " Grain and Pulses ", I would invite your attention to the views you submitted in 1937 to the General Secretary, Indian Railway Conference Association. You then stated that " the N. W. Railway's suggestion to the Conference Association

to put ' Guwar Seed ' in the main class ' Seeds Common ' is entirely just and reasonable. The placing of Gowar seed under the main head of " Seeds Common " was in the circumstances, deliberate and not an oversight.

Copy letter No. RC441 dated 17th September 1943 from the Chief Traffic Manager, G. I. P. Railway to the Secretary, Indian Merchants' Chamber.

As you are aware, the question of classifying " Gowar Seed " (which was then charged for as Seeds N.O.C., classified at 2nd class RR) under " Seeds, Common " was decided by the Indian Railway Conference Association in 1937, when views of prominent commercial bodies were called for. The Grain Merchants' Association, Bombay, who were among those consulted, had then stated that " the N. W. Railway's suggestion to the Conference Association to put ' Gowar Seed ' in the main class ' Seeds Common ' is entirely just and reasonable ". Your suggestion to index " Gowar Seed " now to the main head " Grain and Pulses " is obviously made with the object of obtaining for this commodity the benefit of specially reduced rates and of exemption from the levy of increased charge which " Grain and Pulses " enjoy. A change in the classification merely for these purposes, is not, I feel you will perhaps appreciate, logical and, therefore, not entitled to acceptance.

If, as you state, Gowar Seed is used only as fodder, and your Chamber is of the opinion that it should for that reason be exempted from the levy of increased charge, it would seem to be a matter for the Chamber to urge on the Government of India who alone grant any particular commodity exemption from that levy.

Letter No. 2663 dated 29th September 1943 from Chamber to the Railway Board, Simla.

I am directed by the Committee of this Chamber to refer to your leter No. 2130-T.G. dated the 30th July 1943, addressed to the Secretary, Grain Merchants' Association, Bombay, in connection with the classification and exemption of Guwar from sur-charge for railway freight.

In the letter under reference, with particular reference to para. 2, it has been suggested that the Committee of the Grain

Merchants' Association should approach one of the principal Railway Adminstrations in the matter and if they are satisfied that a change in the classification was necessary, action would probably be taken by the Railway Conference Association.

My Committee feel that the request of the Grain Merchants' Association is reasonable and would like to support it. Accordingly, they addressed the authorities of the B. B. & C. I. and the G. I. P. Railways to do the needful in the matter. It, however, appears from the replies of the Railways concerned, (copies enclosed) that the matter entirely rests with the Government of India and that they alone are in a position to grant a particular commodity exemption from any surcharge.

I am, therefore to request you to kindly move in the matter and revise the classification of Guwar for purposes of railway freight from " Seeds Common " to " Grains & Pulses ".

It is true that when the Railway Conference Association consulted the Grain Merchants' Association in 1937 regarding the classification of Guwar, the latter had suggested that Guwar might be classed under " Seeds Common ". However, in view of the situation prevailing as at present, my Committee as well as merchants dealing in Guwar feel that the railway freight is too heavy and as such, should be classified, as suggested above.

It may be pointed out, in this connection, that Guwar has nothing in common with other seeds and is in no way used for human consumption. It is only used as fodder for cattle and if the request of the Grain Merchants' Association were accepted, it would help a great deal in providing fodder for cattle, which are essential to further the cause of " GROW-MORE-FOOD " campaign.

Letter No. 2130TC dated 18th October 1943 from Railway Board, Simla, to Chamber.

With reference to your letter No. 2663 dated the 29th September 1943, I am directed to state that as already explained in the Railway Board's letter No. 2130-T.C. dated the 30th July 1943 addressed to the Secretary, Grain Merchants' Association, Bombay, the Board regret that they do not see any justification for the exemption of " Guwar seeds " from the increased charge.

2. As regards the classification of " Guwar seeds ", I am to say that this is a matter primarily for Railways to look into and the Railway Board do not see any reason to interfere with the decision arrived at by railways after a very careful consideration and due consultation with the trade interests concerned.

APPENDIX 37

The Empire Air Conference

Telegram dated 13th October 1943 from Chamber to the Department of Posts and Air.

Committee Indian Merchants' Chamber have seen the announcement in the press that the Empire Air Conference is at present meeting in London and that India is being represented therein by the High Commissioner assisted by Sir Frederick Tymms. Committee cannot help recording their regret and disappointment at Government's omission to include a non-official Indian representative in the delegation to the said Conference. It might be recalled that in interviews which Committee had with Commerce and Supply Members of the Viceroy's Executive Council as also with Commerce Secretary they had stressed the importance of including non-official Indian Commercial representatives in the Indian Delegation to International Conferences. In fact a general assurance was given to them that it would be the anxiety of Government to secure such non-official representation to conferences which were in the main concerned with commercial and economic matters. In this connection it is pertinent to point out that delegations from other countries even if confined to officials may be expected to reflect popular opinion in the countries having regard to the fact that the Governments nominating them are responsible to the elected representatives of the people. In the peculiar position obtaining here without direct non-official representation the needs and requirements of the country cannot be fully and adequately represented or emphasized. Committee strongly feel that even now it is not too late to repair the omission and that the Government of India should make immediate arrangements to send non-official Indian representatives enjoying the confidence of the commercial community to take part in that Conference.

Letter No. 27-V(3)|43 dated 16th October 1943 from Posts and Air Department to Chamber.

I am directed to refer to your telegram dated the 13th October 1943, and in reply to point out that the Conference to which you refer consisted of official representatives only from the United Kingdom as well as the Dominions. In the circumstances, India was represented by the High Commissioner, with whom was associated a technical expert. You would further have noted from Reuter's message published in the papers on the 13th of October that the Conference has ended, that the conversations were informal and exploratory and that the conclusions reached are subject to confirmation by the Governments represented at the Conference.

Letter No. 2915 dated 2nd November 1943 from Chamber to Department of Posts and Air

I am directed to acknowledge the receipt of your leter No. 27-V(3)/43, dated the 18th October 1943 on the above subject. You refer therein to the circumstance that the other countries also were represented at the Conference by officials only. In the opinion of my Committee, this cannot be considered a sufficient justification for the omission to include non-official representatives in the Indian Delegation, in view of the fact that the delegations from other countries, even if confined to officials, might be expected to reflect popular opinion, having regard to the fact that the Governments nominating them are responsible to the elected representatives of the people. In view of the peculiar constitutional position obtaining here and the bitter experience which India has got on such matters vitally affecting her national interests, it has to be recognized that without direct non-official representation that would command the confidence of the public, the needs and requirements of India's interests cannot be fully and adequately represented or emphasized.

You further observe in your letter that " the conversations were informal and exploratory and that the conclusions reached are subject to confirmation by the Governments represented at the Conference." This observation, however, does not fit in with the press report that appeared four days back regarding the speech of Lord Beaverbrook in the House of Lords. He is

reported to have told the House that the conclusions reached at the Conference were unanimous and that they would now go forward with their talks with America on the subject. It seems, therefore, that, as a result of the Conference, certain definite and substantive steps are going to be taken.

Now that the Conference has already concluded, my Committee would strongly emphasize that the Government of India should submit the broad conclusions reached thereat to the Central Legislature for their approval and also afford the Indian commercial community an opportunity to offer their considered views and suggestions in regard to the same. The issues involved are of vital importance to the future development of this country, and Government should not enter into any commitments unless the Indian commercial community and the Indian public opinion, through the Indian Legislature, are afforded ample opportunities to examine the question in all its aspects and formulate their definite views on the same.

It is hoped that the Government of India will be pleased to accept the above suggestion and act accordingly.

APPENDIX 38

Shipments of Wool from Bombay to U. K.

Letter No. 245 dated 21st January 1943 from Chamber to Commerce Department, Government of India.

Wool merchants in Bombay have forwarded to my Committee a copy of their communication addressed to the representative of the Ministry of Shipping in Bombay, requesting that arrangements should be made to allot some shipping space for shipments of wool from Bombay. I am directed to send herewith a copy of the said representation for the information of Government.

As has been pointed out therein, under orders issued by the representative of the Ministry of Shipping, wool shipments are allowed only from Karachi to Liverpool and Bombay which was a port of shipment in normal times has been deprived of this facility. My Committee understand that owing to the absence of shipments from the Port of Bombay, about 5,000 bales of wool have accumulated in this port. Government will

appreciate that it would indeed be very expensive and also inconvenient to transport them to Karachi for purposes of shipment from there.

The case of the handling trade in Bombay which used to depend on the trade in wool has also to be considered. Further, there are a number of labourers employed in the wool trade who are also likely to suffer by this restriction. As exports are under licence, there is a check on the total quantity shipped from all ports and opening the port of Bombay for such shipments will not lead to any increase in the total quantity exported.

It is, therefore, requested that Government will be pleased to look into the matter and to arrange that some shipping space is allotted for exports of wool from Bombay also.

APPENDIX 39

Theft of Iron Hoops from Cotton Bales during Transit

Letter No. 243 dated 21st January 1943 from Chamber to B. B. & C. I. and G. I. P. Railway, Bombay.

My Committee have received complaints from cotton merchants that lately iron hoops with which cotton bales are bound are removed and stolen during transit and that when cotton bales reach the destination, a substantial proportion of the bales are found without the full complement of hoops with which they were bound. It may be pointed out that, in view of the great scarcity experienced in getting supplies of hoops and the high prices obtaining for the same, there is an incentive for unscrupulous people to try to remove such hoops from the bales and to dispose them of. Perhaps, such a practice occurs at the time of transhipment. My Committee have to request you to kindly look into this matter and to increase the watch and ward arrangements with a view to preventing mischief of this character.

Please let me hear from you in the matter in due course.

Letter No. C.A.14979|42 dated 17th February 1943 from the B. B. & C. I. Railway and Bombay Port Trust to Chamber.

With reference to your letter dated the 21st January 1943, I beg to inform you that necessary instructions have been issued

for a special watch to be kept on consignments of cotton, particularly at transhipping stations, and I trust you will have no cause for complaint in future.

A representation on the same subject was made by the East India Cooton Association Ltd., Bombay, to the Chairman of the Bombay Port Trust.

I have addressed the foreign lines on the subject and I have instructed the station staff at Cotton Depot to be on the alert against any possible pilferage on the platforms.

APPENDIX 40

Preferential Treatment regarding Booking of certain Chemicals by the Railways

Letter No. 762 dated 10th March 1943 from Chamber to G. I. P. Railway.

Messrs. Khandelwala Chemi-colours, Ltd., have complained to my Committee that recently when they tendered a consignment of Soda Crystals at Wadi Bunder for being despatched to Mysore, the same was not accepted by your Railway but they were informed that under existing instructions, consignments of soda ash and Bicarbonate of Soda would be booked for despatch by rail to any stations on or *via* M. S. M and S. I. Railways only for or on account of only Imperial Chemical Industries, Ltd., and not for any other party. My Committee would like to know if the above information is correct. If so, they have to point out that as public utility undertakings, the Railways cannot reasonably confine the facility to a particular party and refuse the same to others. Restriction on bookings, whenever imposed, should be of a general character and nobody should be entitled to any special treatment. My Committee would like to be further informed of the circumstances under which the consignment of Messrs. Khandelwal Chemi-colours Ltd., was not accepted.

Please let me hear from you in the matter at an early date.

Letter No. G|494BB dated 17th March 1943 from G.I.P. Railway to Chamber.

The present instructions to our staff are that consignments of Soda Ash and Bicarbonate of Soda should not be accepted

for despatch by rail to any station on or via the M. & S. M. Railway or S. I. Railway unless specially permitted by the Regional Controller of Railway Priorities, Bombay. . As such, the question of undue preference to a particular party does not arise.

In the circumstances, will you please advise Messrs. Khandelwala Chemi-colours, Ltd., to approach the Regional Controller of Railway Priorities, Bombay, direct.

APPENDIX 41

Trunk Telephone Accounts

Letter No. 1897 dated 6th July 1943 from Chamber to Posts and Telegraphs, New Delhi.

My Committee had occasion last year to draw your attention to the present unsatisfactory arrangements regarding the maintenance of Trunk Telephone Accounts and had brought to your notice, in their letter No. 387 dated the 9th February 1942, an instance in which a subscriber was refused connection on the ground that some bill of his had remained in arrears, although, as a matter of fact, the bill in question had been immediately paid after presentation. As my Committe then pointed out, such departmental lapses are rendered possible because of the present procedure in the matter of Trunk Telephone Accounts. In view of the recurrence of complaints of this character, it is necessary that the department should review the whole position and introduce such changes in the accounting procedure as would eliminate such complications.

Another instance of a subscriber being denied the facility of the use of the trunk service under similar circumstances has recently been brought to the notice of my Committee. On the night of the 2nd June 1943, Mr. V. M. Saraiya, a partner in a member-firm of this Chamber, was not given connection in respect of a call which he wished to make from his residential Number 26968 to Hathras, on the ground that his previous bill had remained unpaid. Next day, the subscriber concerned verified from his records that the previous bill for the fortnight ending 15th May 1943, received by him on 25th May was paid to the Post Office in Bombay on 28th May. On enquiry, he was given to understand that, although no bills had been out-

standing on his account, advice of the above payment had not reached the Accounts Officer at Delhi and under instructions from him facilities for Trunk Call had been cut off. Although, the matter has since been set right, my Committee are drawing your attention to this instance with a view to reiterate the suggestion made last year that the whole system in regard to the Trunk Telephone Accounts should be revised to prevent any mischief of the kind complained of, in future. You will appreciate the annoyance and inconvenience to which a subscriber is put, when he is told that his account is in arrears, when, as a matter of fact, he had already paid the same in time and when on the top of that, he is refused the facility of the trunk service for a departmental mistake in not noting or advising the payment in good time.

Letter No. T|542|43 dated 15th September 1943 from Posts and Telegraphs, New Delhi to Chamber.

In continuation of this office letter No. T-542/43 dated the 19th July 1943/dated the 26th August 1943, I am directed to forward for information a copy of the reply given to Messrs. Naraindas Rajaram & Co., and to state that by the transfer of trunk billing work from Delhi to Bombay which has already been effected, the apprehension of similar irregularities occurring in future has been removed. The mistake and the inconveniences caused thereby to the subscriber are regretted.

Copy of letter No. By 380A|720, dated the 30th August 1943 from the Accounts Officer, Telephone Revenue, Delhi, to Messrs. Naraindas Rajaram & Co., Bombay.

With reference to your letter No. Nil dated the 5th August 1943, I have the honour to state that due to the copying mistake made by a temporary clerk of this office the unfortunate event took place. As the trunk call fees billing work has since been transferred to Bombay, I believe hereafter no such events would occur. I have warned the man concerned severely.

II. FINANCE, TARIFF AND TAXATION

APPENDIX 42

Budget of the Government of India 1943-44

Telegram dated 3rd March 1943 from Chamber to Finance Department, Government of India.

Committee Indian Merchants' Chamber have carefully considered the Financial Statement for 1943/44, presented by the Hon'ble the Finance Member to the Central Legislature. Committee realize that these are war-times and that they cannot expect the same state of affairs as in ordinary peaceful times. They, however, consider the Military expenditure of Rs. 189.75 crores for 1942/43 and 182.81 crores for 1943/44, over and above a capital outlay of 49 and 17 crores respectively, as too big a burden for India to bear, her basic Defence expenditure being Rs. 86.77 crores. The change in the accounting practice in regard to the Military expenditure introduced now, viz. separating captial heads from Revenue, tends to conceal a part of the expenditure. Capital expenditure was in the past included in the year's military expenditure and on that basis the actual Defence expenditure for 1942/43 would be Rs. 238.89 crores and for 1943/44, nearly 200 crores. There is no justification for such a change in the accounting practice in the middle of the war.

The observations made by the Finance Member in connection with the Indo-British financial settlement touching the allocation of the expenses of the Defence services have caused the Committee the greatest anxiety. Even in 1939 when the principles of this settlement were announced, the Committee had taken very strong exception to them. The manner in which these principles have now been interpreted by the Finance Member is open to very grave objections. More than three years have passed since the acceptance of these principles by the Government of India, and looking to the tempo of the war and the colossal expenditure which a modern war involves, the terms should, in the interests of India, be modified in this wise that two such powerful and strong Allied nations like Great Britain and U. S. A. should take upon themselves the burden of financing the war operations in this country. India is required to pay the expenditure on her forces till they actually leave her shores or her frontiers. Incidentally, it may be mentioned that

the general public opinion is against sending out Indian troops from the country and replacing them by non-Indian troops, who cost the country much more. When the Finance Member himself pointed out to the British authorities that the cost of the measures necessary for the defence of India and for which India was liable under the existing terms was so great as to impose a very heavy strain on India's limited financial resources, it stands to reason that a large percentage of this expenditure should be borne by the British and American Governments. It is a matter of grave concern that the Military expenditure on India's defence services has been increased nearly five times over the pre-war figure. This is particularly so, because India has neither any voice in the organization of her defense services, nor has she got any control over the use and direction of the same. This is a strong justification for demanding that the military expenditure should be kept at present within proper limits. A ceiling should therefore be put to India's defence expenditure and the figures should be fixed at Rs. 73.61 crores, the amount spent in 1940/41; and any increase over that limit should be borne by the United Nations.

Regarding provision for scrutiny of allocation by Audit authorities and by the Public Accounts Committee, as long as control of expenditure is not vested in a Ministry responsible to the legislature, such scrutiny can only be formal, and the same will not inspire confidence in the public.

Regarding Lease-Lend and reciprocal aid arrangements, the absence of complete details and a fuller picture, the public are at a great disadvantage in assessing the full implications thereof. Here, too, Committee consider that, in any such arrangements as are arrived at with regard to Lease-Lend and Reciprocal Aid, it is definitely inequitable and unfair to treat U.S.A. and India as two equal partners in a common struggle, looking to the tremendous differences in the economic resources of both of them. The U.S.A. should finance, provide and equip her land, sea and air forces operating in this country. One of the fronts for the U. S. A. to fight against Japan is provided by India, and so it stands to reason that U. S. A. should bear a substantial portion of the expenses connected with the operations against Japan. There are several Lease-Lend transactions for

commercial and industrial purposes; but many of these are directly or indirectly for war purposes, and it is expected that India should not be called upon to pay by any reciprocal aid arrangements for any such costly materials or stores as might have been used for the Allied Forces.

Committee are surprised at the suggestion put forward by the Finance Member to have a Reconstruction Fund in London for the purchase of machinery and other capital goods from producing countries putting thus into use the large Sterling accumulations at the end of the war. There are so many ways in which the Sterling accumulations can be utilized, and the Indian commercial community are considering at present what would be the best method for dealing with our huge sterling balances. Committee urge that, before any scheme is taken up, representative commercial public will be taken into confidence. Under any circumstances, the Sterling balances should not be devoted to building up a Reconstruction Fund which may perhaps handicap India from acquiring the required materials from competitive world markets. India has already been under the British tutelage for a long time past with regard to the development of her Banking, Insurance, Shipping and other industries; and the sterling balances should not now be used to extending it further. Regarding the proposal to make advance provision for sterling remittances to meet future payments for family funds, pensions, etc. it will not be acceptable to India.

Coming now to the operational part of the Budget, viz. taxation proposals, the increases in Postal rates and Telephone charges are open to serious objection on principle that public utility services, particularly relating to communication, are being used as a source of revenue to Government. The Excise duty on tobacco and Vanaspati particularly the latter, will seriously affect the masses of the country and add to their troubles by further increasing their cost of living. It must be remembered that Ghee has been carried away to a very large extent to foreign countries and for use of the Forces, and people had naturally to fall back upon oils, like Vanaspati. If now there is a proposal to tax Vanaspati, it will be a serious burden upon the people and will threaten to take away another oleaginous article of food, which is essentially required in the interests of a balanced

diet. Committee should like to point out that in other counries, where tobacco is taxed, there are so many other articles of luxury which the people can use, while with people here, economically so poor and miserable, tobacco, in its cheaper and cruder forms, is the only article of luxury, if it can be so called. The Rs. 10 crores sought to be realised from this head will mainly fall upon the masses, who take tobacco in different forms. Committee, therefore, consider that the Excise duty on tobacco should not be levied. The increase in surcharges on Income-tax and super-tax and in the Corporation tax, which has now become a facile expedient, will have serious repercussions. The middle and the upper middle classes and those who have got fixed incomes will be badly affected. Their income will be further reduced at a time when they require more money for meeting the cost of daily necessaries of life. This will indeed be a very serious hardship to them. The continuous increase in the income-tax and corporation tax since the outbreak of the war has been making serious inroads even on the normal profits of industries. The result is that their resources are crippled and their scope for expansion is thus seriously restricted. India's present prime necessity is expansion of industries. During war time, she is unable to do so. During the post-war period, the country will be left with little money, after it has passed through the peak period of taxation, with the result that industrial expansion will, for all time, be badly affected.

APPENDIX 43

Post-War International Currency Plans

Letter No. 700|JS dated 31st July 1943 from Finance Department, Government of India to Chamber.

Copies of the British Clearing Union Plan and the American Stabilization Fund Scheme were despatched to you on the 29th of June and they have been made public from the 5th of July. I am to state that the Government of India will welcome any comments and views you may have to offer on these two schemes after considering them fully. Your views should be sent at your early convenience.

Letter No. 2975 dated 10th November 1943 from Chamber to Finance Department, Government of India.

I am directed to refer to your letter No. 700-J.S. dated 31st July 1943 forwarding copies of the British Clearing Union Plan and the American Stabilization Fund Scheme, as also your further letter No. 9423(2)-F/43, of the 25th August, forwarding a copy of the draft proposals of Canadian experts for an International Exchange Union.

My Committee have considered these proposals and plans and the issues arising therefrom. In this connection they had also seen a copy of the memorandum submitted to Government by the Federation of Indian Chambers of Commerce and Industry, dated the 30th September 1943, containing the views of the Committee of that Body on the same. My Committee are in entire agreement with and endorse the said views of the Federation.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY.

30th September 1943.

Ref. No. F. 1883/666.

To

The Secretary to the Government of India,
Department of Finance,
New Delhi.

Subject : Post-War International Currency Plans

Sir,

I am directed to refer to your letter No. 700-J.S. dated the 31st July 1943, inviting comments and views of the Committee of the Federation of Indian Chambers of Commerce and Industry on the United Kingdom Proposals for an International Clearing Union and the United States Proposal for a United Nations' Stabilization Fund, copies of which were enclosed therewith.

2. The Committee of the Federation have been carefully considering these Plans for some time past, but before they could finally examine, in detail, the various technical aspects and implications of the two Plans, it was reported that a revised Currency Plan has been prepared by the U. S. A. Treasury Monetary

Expert. A summary of this revised plan has been published in certain newspapers in this country, but the full text of the same is not yet at the disposal of the Committee. This development has made the task of the Committee very difficult in offering their final views and comments on the Plans which are in the process of being modified or are likely to be modified. Furthermore, in your letter D.O. No. 9423-(2)F/43 dated the 25th August 1943, a copy of the tentative Draft Proposal of Canadian Experts for an International Exchange Union—which, on the face of it, seems to be an effort to modify or synthesise the U. K. and U. S. A. Proposals—has been forwarded to this office, inviting the comments and views of the Committee. Under these circumstances, when the respective Plans are either likely to be modified in important details or when there is no finality in the provisions of the schemes themselves, the Committee feel that the observations and comments that they can make on these Plans can, at best, be only preliminary and interim. The Government will appreciate that the above circumstances have rendered it eminently desirable that the various provisions and technical aspects of these Plans can be finally examined, in greater detail, only when the Revised Plans are available. At the same time, the Committee feel that certain fundamental points should be clarified by the Government, for, without such clarification, any discussion of the Plans would be extremely unrealistic.

3. The Committee, in their task of examining the various proposals, have been further handicapped on account of the lack of adequate information in regard to certain problems which would have a vital bearing on the working of the Post-War Currency Scheme which might be ultimately adopted. For instance, no definite statistics are available in regard to the obligations of the United Kingdom and other Allied countries to the U. S. A. under Lease-Lend arrangements. Similarly, in spite of the repeated requests made by the Committee as well as by other commercial bodies and Members of the Legislative Assembly, no statistics are made available by the Government of India as regards the actual amount of Lease-Lend aid received in the country. Nor have the Government clarified the position in regard to the allocation of these obligation between India and the United Kingdom, or other countries such as, China, on whose account such aid has been received in the country.

Furthermore, the whole position as regards the Reverse Lease-Lend, so far as this country is concerned, is yet in a nebulous stage. The Committee, therefore, are of the opinion that unless these issues are explicitly defined and reliable statistics are made available, any detailed examination of the Currency Proposals would only be partial. Similarly, the question of the existing link between the Indian currency and the £ Sterling is also an important one, especially in regard to the position of the Rupee in the international field, and the Committee would request the Government to apprise them of their views or policy on this question.

4 Having regard to all these limitations, the Committee believe that the best manner in which they can help the Government and offer their comments and views on the various proposals, would be to lay down certain basic principles which should guide the Government of India in their examination of these Proposals as well as in determining the line of approach to be taken when they are discussed at any international conference.

5. The Committee strongly feel that in any views or observations, which they might make on the question, the political issue, viz. the status and position of India *vis-a-vis* any such international arrangements, is a fundamental and relevant one, as, after all, in whatever form the Currency Schemes might ultimately take shape, this country could expect to get a fair and square deal in the working of the same only when she is placed in a position of equality with other contracting countries. Furthermore, the discussions in regard to International Currency Plans, which might be held at the forthcoming Conference, should be undertaken either by a National Government, or, at least, by representative Indians who can command the confidence of the people of India. It must be frankly recognized that if the discussions are carried on by the Government of India, as at present constituted, through their official experts whom they might delegate to that Conference, serious misgivings are bound to arise not only because of the peculiar status of the country itself in the political field but also because of conflict of interest that would arise between India and Great Britain, as the former will be a creditor and the latter a debtor country. The Government of India, as at present constituted,

are, for all practical purposes, subordinate to the British Government and hence are certainly not a free party for carrying on negotiations on behalf of India, or even for pressing the viewpoint and particular needs of this country. The Committee are, therefore, of the opinion that, at the forthcoming International Conference, wich is to consider and discuss these Proposals, or such other proposals as might be put forward, the Indian Delegation should be led by an Indian representative commanding the full confidence of the people and who should have, among the advisers, at least one or two representatives of Indian commerce and industry.

6. A question of the most fundamental importance which any scheme of Post-War International Currency will have to deal with is the position of economically backward countries like India, which possess vast resources in men and materials for industrial and other development. The acid test of a sound Monetary Scheme, so far as India is concerned, is, whether it would help this country if she becomes a party to it, in her policy of economic development, to achieve which she must have full freedom to follow monetary, fiscal and industrial and agricultural policies adequate to the needs of the country.

7. The Committee have to raise this vital problem not only on the general ground of principle but also because they fear that the Monetary Schemes that are being put forward do not merely confiine themselves to the monetary aspects of the question. It is evident that the trend of thought behind all these currency proposals is that Monetary Schemes are only a part of a much wider scheme of International Planning which would include within its ambit the framework of a commercial policy, the orderly conduct of production, distribution and determination of prices of primary products as well as control of capital movements and investments. These wider problems may, at the moment, not be the integral part of one Scheme or the other. But it cannot be denied that there is already a suggestion, at least in one Proposal, to use the ' Surplus Balances ' in creating an Account for the management of Commodity Controls and of financing stocks of raw materials and commodities to be held as Buffer Stocks. Similarly, there is a suggestion that the International Clearing Union might become the

pivot of the future economic government of the world and might set up Accounts for purposes such as, post-war relief, rehabilitation and reconstruction or for a supernational policing body. There is also a proposal for creating an International Investment or Development Corporation. It would, therefore, be difficult, if not impossible, to appreciate the full implications of these Proposals until the whole picture of such international economic reconstruction schemes is before the country.

8. When any scheme for increasing the freedom of international commerce is being discussed, it is to be borne in mind that the promotion of international trade is, after all, not an end in itself but a means of raising the standard of living of the population of a country. If, therefore, a scheme envisages the expansion of opportunities for markets for countries having productive capacity but lacking markets, it would certainly be unfair to a country like India, which might be asked to forgo a degree of protection on the plea of making its market available to such countries and thereby impose restrictions on the country's own industrial development. This principle holds equally good whether, in the Currency Proposals, provisions regarding the freedom of international trade or reduction of tariffs and other restrictions or raising of price income and wage structure inside the country or appreciating its currency, are recommendatory or compulsory.

9. Any monetary scheme which takes for granted that either the pre-war economic development of a country or its existing deveplopment is a form on the basis of which the post-war international trade would move, cannot be accepted by a country which possesses vast potentials of industrial and other developments. It is necessary, further, to point out that economic relations between various countries have undergone radical change during recent times, and there has been appreciable development of the industries in the primary producing countries, such as, for example, India and the Dominions. This transformation in the direction of industrialization which has taken place in such countries, should not only be maintained but accelerated if the standard of living of the population is to be raised. It is essential, therefore, for such countries which have achieved some measure of industrial development to make every endeavour not only to retain it but also to advance it. There may

be a divergence and conflict of interest between these countries and their old-time suppliers of manufactured goods. As a rule, it would happen that the countries that were serving these markets before would not be agreeable to reconcile themselves to the industrial development in such backward countries and would demand that the necessity for them to export goods should dictate the international monetary authority to preserve their old markets in such countries. It must, therefore, be emphasized that no monetary plan, which tends to restrict India's fiscal autonomy or economic sovereignty as well as her all-round economic development, can be acceptable to Indian commercial opinion.

10. In examining the Currency Plans that are before them, the Committee have been anxious to search for adequate safeguards for India's sterling credits that have accumulated in the United Kingdom. The Committee have noted that the position of such balances have been differentiated in a manner so as to give them a separate treatment, by considering them either as 'abnormal balances' or as 'abnormal war balances.' The Committee do not here desire to raise the question as to what is the definition of 'abnormal balances' or 'abnormal war balances'. A country might have entered into a Clearing Agreement with another country, in full knowledge of the implications of such an Agreement, and thereby might have come into possession of credits which, being subjected to such an Agreement, may not be freely convertible owing to the operation of exchange control in the debtor country. Such is the case, for example, of Argentina's sterling credits in England. On the other haud, a country's currency might have been linked with that of the other country on account of the fact that the latter currency was freely convertible and, because of the subsequent operation of exchange control, it might not have got the 'free exchange' status. Such is the case, for example, of India's sterling credits in England. While the United Kingdom has provided a 'Gold Guarantee Clause' to Argentina's sterling credits, such a guarantee has not been extended in respect of India's sterling balances. It must also be remembered that, while Argentina's credits are of the nature of 'Clearing Accounts', India's sterling balances constitute by far the largest item in the assets of the Reserve Bank of India, thus being of the nature of monetary reserves against

the issue of Indian currency, and not trade or 'Clearing Accounts'; and, as such, India's sterling credits require, with far greater justification, safeguards in regard to their value as well as international convertibility.

11. The Committee of the Federation had addressed the Government, at length, in January 1943 (reference their letter No. F.92/487) on the question of Sterling Credits and had pointed out how the sterling credits originated and how, at least, a part of these sterling credits had been actually due to the denial of the dollar resources, which were legitimately India's own, by reason of her export surplus with the U. S. A. The Committee had also pointed out that in payment for the goods and services supplied by India to the U. K., and utilization of sterling credits, India has not been given the same treatment as other countries, such as, U. S. A., or other parts of the British Empire such as, Canada and South Africa. No possibility has been explored either to provide India with capital goods which would have been immediately useful for war production or to provide gold and other kinds of free currency which would have prevented the structure of the assets of the Reserve Bank of India from becoming lopsided, and to repatriate British investments in India which would have mitigated the evils of inflationary tendency that has arisen in the country. The Committee, therefore, believe that an international currency scheme which neglects this part of the aspect of the foreign credits of a country, would be fraught not only with anomalies and injustice to a country like India, but will also be founded on insecure and weak financial structure, at any rate, of some counrties which are asked to join it.

12. Further, the Committee are surprised to learn that a new principle is to be applied irrespective of the position of a country as described above, by which it becomes an obligation of the creditor country in the post-war period to see that its accumulated credit balances are either allowed to be used for the benefit and at the dictation of the debtor country or that it is the obligation of the creditor country to accept conditions of restricted use of such credit balances. Hence, what is basically needed is that adequate safeguards must be provided in regard to the value of India's sterling credits and India's right to utilize

them freely for constructive and beneficial purposes. The Committee would here like to assert that neither a vague promise to include in the Proposals some overriding provision for making only a portion and not the whole of India's sterling credits, liquid and internationally convertible, nor any rigid formula to restrict the use of a part or whole of India's sterling credits, either as regards the amount or as regards the time, place and the manner of utilizing them, can satisfy the needs of this country. In the view of the Committee, one of the principal criteria of determining the merits of any scheme so far as this country is concerned would be the adequate safeguards of India's sterling balances. The Committee, therefore, would like to ask, " Whether there is any provision in these Currency Proposals for making India's sterling balances freely convertible, or for using them to wipe out a country's indebtedness, whether short-term or long-term, or a provision of such a nature to prevent these balances from being exploited to push foreign goods in the country, irrespective of their value, utility and source? "

13. India has been enjoying, for a long time, a favourable balance of trade, the average since 1930 being Rs. 36-37 crores per year, so far as the balance of merchandise trade is concerned. It is expected that, with India's sterling debt now being repatriated, this favourable position in balance of trade would be maintained, or very likely strengthened, particularly having regard to the fact that at least for a few years immediately after the War, India's resources, particularly raw produce, would be in greater demand, while India's reliance on imports of consumption goods has diminished on account of war-time industrial developments of the country. Thus, as this country is expected to occupy the position which is described in the Currency Plans as a " Surplus " country, the Committee have to demand that under no circumstances the country would be asked to readjust her ' surplus ' position in the name of bringing an equilibrium in the balance of trade position through measures which would on the one hand, open the markets for competitive goods from abroad to India, and on the other, restrict her industrial development, through the adoption of measures, such as, the expansion of domestic credit, or cost and income in the country, appreciation of its currency, reduction of exports or tariffs and other discouragements against imports or a levy on " surplus

balances". The Committee would reiterate here what they have said before that the position of an economically backward country like India, which possesses large resources in men and material, and, therefore, potentialities of her industrial development, is different and she cannot be treated in the same manner as a highly industrialized country. The principle of free international trade needs modification in some measure in fairness to a country like India, so that she may be enabled to make full use of her resources and raise the standard of living of her population. Unless this fundamental criterion is acknowledged in any scheme of international co-operation, India will be put to a great disadvantage and consequently her industrial and general economic advancement would be checked.

14. The Committee would, therefore, observe that in view of the vital questions and also in view of the fact that the same should be satisfactorily dealt with, it is hardly necessary for them to deal, at this stage, with the technical aspects of the Currency Plans or the machinery provided therein to operate them. Furthermore, as is mentioned in paragraph 3 above, unless information of vital nature, as requested by the Committee, is made available to them and unless these fundamental questions are clarified and the broad principles outlined above are accepted by the Government, what the Committee can best do is to offer only preliminary views as stated above and emphasize the fundamental and the basic needs of the country. The Committee would request the Government to give relevant information asked for by them, as also to clarify the points raised so that the Committee may be enabled to formulate their final views and apprise the Government of the same.

I have the honour to be,
Sir,
Your most obedient servant,
Secretary.

APPENDIX 44

Interview with Sir John Sheehy and Mr. C. W. Iyers of the Central Board of Revenue

Memorandum on the points for discussion at the interview with Sir John F. Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayers, C.I.E., Excess Profits Tax Adviser to the Board, on the 19th August, 1943.

I—INCOME-TAX

(1). *Section* 10(2)

(*a*) *Allowance of Expenses incurred for Registration of Trade Marks*:

We understand that expenses incurred by proprietors of trade marks in getting them registered under the Trade Marks Act, 1940, are sought to be disallowed on the ground that a trade mark is a capital asset, though of an intangible nature, and as such the expenditure connected therewith should be deemed as on capital account. In this connection, it may be pointed out that registration under the Act of existing trade marks is not a case of acquiring new rights or new marks but protecting the existing rights in terms of the new legislation. Moreover the Act, it must be pointed out, is not conferring any new right which is not hitherto existing, but only facilitates action against any infringements. It would, therefore, be not fair to treat expenses for the registration of existing trade marks as a case of acquiring assets of a capital nature, and it is requested that instructions may be issued to allow such expenses as a matter of course.

(*b*) *Allowance of Expenses incurred for Professional Services of experts and lawyers re*: *Income-tax and E.P.T. matters*:

We understand that expenses incurred by assessees in connection with professional services of Income-tax consultants and lawyers on matters relating to Income-tax and Excess Profits Tax are not allowed. It will be appreciated that the tax laws of the country are complicated and cannot be easily followed or understood by laymen. All assessees cannot naturally expect to have on their permanent staff expert personnel for dealing with such matters. It is, therefore, reasonable to urge that expenses for services of experts and lawyers in connection with

these matters should be allowed. The Income-tax Act has recognized the procedure of securing such expert assistance by prescribing qualifications, etc. for persons entitled to represent assessees. Government also, have recently, in response to a representation made by us, issued a circular that legal expenses in appellate proceedings should be allowed wherever an appeal under Section 23A succeeds. We, therefore, request the Board to be pleased to issue necessary instructions authorizing the allowance of all such expenses.

(c) *Losses due to Theft, Embezzlement or Negligence by Employees* :

You will perhaps recollect that we had occasion to discuss this question with you in the year 1939, and subsequently instructions were issued by the Board by a circular dated the 17th August 1939, authorizing the allowance of claims on account of losses by theft or embezzlement by employees if the Officer concerned was satisfied from the evidence placed before him that theft or embezzlement had in fact taken place. It is, however, found that the said instructions do not fully meet the requirements of the case. In a recent instance brought to our notice, the loss by theft or embezzlement was disallowed on the ground that the criminal proceedings against the employee concerned did not result in a conviction. The criterion on such occasions should be whether the claim itself is genuine and whether the assessee concerned has suffered the loss claimed by him. The instructions in the circular in question moreover, have not specifically mentioned loss by theft or embezzlement due to *negligence* of an employee. It is necessary that, in order to clarify the position further, the instructions should be revised so that losses arising out of theft, embezzlement or *negligence* by employees wherever *prima facie* established should be allowed.

2. *Section* 10(7) :

(a) *Administrative Control re* : *Assessment of Life Assurance Companies* :

We understand that assessment of Life Insurance Companies is controlled by the Central Board of Revenue and that all questions connected therewith are dealt with by them. If this information is correct, it means that the Income-tax Officer will not be in a position to exercise his own judgment in regard to

individual cases. It will also be appreciated that cases determined or approved by the Board will have little chances of getting any relief from the Appellate Assistant Commissioner in case of an appeal. We submit that the procedure requires to be modified and, as in the case of other assessments, the Insurance cases should be left to be decided independently by the Income-tax Officers concerned.

(*b*) *Taxation of Additional Reserves maintained by General Insurance Companies* :

Under the rules in force, before the Act was amended in 1939, General Insurance companies were allowed to treat as expenditure incurred any amounts actually charged against the receipts for the purpose of forming a reserve to meet outstanding liabilities of unexpired risks, including risks of an exceptional loss. Such reserve was divided into two parts, of which the first was intended to cover normal unexpired risks and was generally reckoned at 40 per cent of the premium income and the second was intended to cover losses of an exceptional nature. At the time of the amendment of the Act in 1939, it was understood that the above position would be allowed to be continued. It, however, transpires that amounts transferred to additional reserves are not now being allowed by the Department. It is a common practice for General Insurance Companies to build up substantial reserves to meet eventualities of an abnormal character, and companies should be assisted in this process by treating the amount transferred to such reserves as an expenditure incurred solely for the purpose of earning the profits of the business, We understand that this matter has been prominently placed before the Department by the interests concerned, and we hope that the Board will take a practical and sympathetic view of the case.

(3) *Section 23-A*

(*a*) *Amendment of the Provision re* : *Compulsory Distribution of 60 per cent of Assessable Income* :

The working of this Section has created great hardship to private companies in which the public are not substantially interested in view of the fact that compulsory distribution of 60 per cent of the assessable income is required with a view to

avoid penalty of distribution of 100 per cent. In certain cases it has so happened that the companies are not in a position to distribute the prescribed dividend owing to certain contingencies warranted by the nature of the business, for which certain reserves have to be provided. If such companies do not comply with the requirements of Section 23A, they are subject to penalty of distribution of 100 per cent and if distributions are made on the strength of assessable income, disregarding the net profits disclosed by the accounts, it will be out of capital and therefore against the provisions of the Indian Companies' Act. It is, therefore, suggested that Section 23A must provide for the present and future needs of the Company before the company can be called upon to distribute 60 per cent of its assessable income.

(*b*) *Distribution of 60 per cent of Compulsory Deposit under the E.P.T. Ordinance* :

The combined effect of the requirement under Section 23-A for distribution of 60 per cent and the requirement under the E.P.T. Ordinance for a compulsory deposit to the extent of 1/5th of the Excess Profits Tax, will be that in respect of any excess profits private companies will have to pay out more than their receipts. Thus, such companies in many cases may have either to issue fresh capital or resort to borrowings to fulfill their obligations. This aspect of the matter was pointed out in the representation which we had submitted on the Excess Profits Tax Ordinance. It is hoped that the Board will examine the position and issue necessary instructions which will remove this anomaly.

(4) *Section 24(2)—Set-off of Losses—Interpretation of the term "Same Business"* :

We have received complaints that in the cases of assessees carrying on business in different trades, losses incurred in a particular branch were not being allowed against profits on a subsequent year if such profits did not accrue exclusively from the same trade. For instance, the loss incurred in forward business in cotton by an assessee is not allowed to be carried forward and set off against profits of the same assessee in ready cotton. Such an interpretation of the term "same business" has the result of almost reducing the relief contemplated under the Section to a nullity. We submit that instructions be issued for a correct and more reasonable interpretation of the term.

II—Excess Profits Tax

(5) *Section 7—Deficiency Relief—Set-off against share in another Partnership or Trade*:

We had carried on correspondence with the Board regarding extension of deficiency relief in cases of changes in the constitution of partnerships, and by a circular dated the 7th July 1943, the Board agreed to the relief being granted on certain occasions. Our attention has since been drawn to the fact that by administrative instructions the relief is also granted in the United Kingdom, in the following circumstances :—

> " A person interested as a partner may set-off his share of deficiency against his share in another partnership or as a sole trader."

We request that necessary instructions be issued here also for extending the scope of the relief on the above lines.

(6) *Section 26—Allowance under Section 26(3) for Plant, Machinery, etc. not required by the Businese after the War, and for Buildings and Extensions for War Work*:

Several companies have extended their buildings, plant or machinery or have put up new buildings, plant or machinery solely for the purpose of fulfilling war orders placed with them. We would like to know what special treatment is accorded to these companies for enabling them to write off the cost of such extensions or new erections for the purpose of both income-tax and excess profits tax. Is any general principle evolved for enabling them to write off fully the cost of these extensions and new erections within a definite period of time?

If an application is made to the Board under sub-section (3) of Section 26, it is open to the Board to grant such allowances in computing the profits of the business during the chargeable accounting period as they may think just, in case of buildings, plant or machinery, which will not be required for the purposes of the business after the termination of the present hostilities, but which have been put up specially during the war. We have to request you to let us know the maximum period of time during which the cost of the buildings, plant or machinery referred to above, is allowed to be written off for the purpose

of excess profits tax. We understand that allowances granted under such circumstances for the excess profits tax are also granted in certain cases for the purpose of income-tax. We would like to know whether this is correct.

(7) *Schedule I—Rule* 11*—Power to spread Expenses* :

Under this rule, the E.P.T. Officer has power to distribute certain expenses incurred during an accounting period if, in his opinion, the deduction claimed did not represent a sum reasonably and properly attributable to that period. If under this rule the expenditure must be spread, it should generally be spread *forward* only, and not *backward*. For example, if an assessee makes heavy repairs in the chargeable accounting period and if the same are spread *backward* the procedure would work makes heavy repairs in the chargeable accounting period and if the same are spread *backward* the procedure would work very much to the detriment of the assessee by increasing the profits of the chargeable accounting period and at the same time reducing the standard profits to a like extent if, in spreading back, the standard years are also roped in. It will be appreciated that repairs carried out during a year benefit that year and the future years but not in any case the previous years.

(8) *Schedule II—Computation of Capital* :

(*a*) *Deposits under the E.P.T. Ordinance and under Section* 10 *of the Finance Act should be treated as Capital* :

We understand that in England the Tax Reserve Certificates are allowed to be treated as capital to the extent that such Certificates are subsequently utilized for payment of tax. As the assessee is precluded from making any other use of the amount of the deposit and as often the amounts concerned are substantial, the same should be treated as capital. The above position should also apply to the deposits made under the Finance Act on a voluntary basis.

(*b*) *Rule* 3*—Money not required—Allowance of Cash required for meeting Tax Liability* :

It is provided under this rule that moneys not required for the business shall be left out of account in the ascertainment of capital. It was intended that the rule would not be invoked

unless that some part, material in amount, was in excess of the requirements of the business. The experience, however, of assessees appears to be that Income-tax Officers generally try to exclude such moneys which had, for a particular portion of the accounting period, not been used for the purpose of the business. We submit that only such portion of the cash resources as is demonstrably redundant and not required for the business should be left out of account. Further, in disallowing surplus cash, the Income-tax Officer should also take into account the Income-tax and Excess Profits Tax liability in respect of the next chargeable period.

III—General—Administration, etc.

(9) *Publication of the Decisions of the Income-tax Appellate Tribunal :*

We have addressed the Central Board more than once regarding the necessity for arranging the publication of the decisions of the Income-tax Appellate Tribunal on points of law for the information and benefit of the general public. If the requirement in the Act in regard to maintenance of secrecy prevents the publication of factual information, the names of the parties and other particulars may be withheld; but decisions on points of law or general issues may well be summarized and made public. As it happens at present the Department has the knowledge of the result of every case decided by the Tribunal and decisions in particular cases would be a matter of guidance to the Officials in deciding whether a similar case involving almost identical points of dispute should be allowed to be taken to the Tribunal in appeal. The public should also have the same facility and we request that the Board should make early arrangements in that direction.

(10) *Appellate Machinery to be completely under the Control of the Legal Department :*

We have long since been urging the necessity for removing the Appellate machinery under the Income-tax Act from the administrative control of the Central Board of Revenue. The case for such a separation of functions was also stressed in the Legislature during the discussions on income-tax matters. We are glad that Government have now taken a step in this direc-

tion by removing the Appellate Tribunal from the Administrative control of the Finance Department and placing the same under the Legislative Department. This change, however, does not meet the full requirements of the case. The same should be followed up by removing the Appellate Assistant Commissioner, the initial and the first Appellate authority under the Act, also from the control of the Central Board of Revenue. We, therefore, suggest that the Appellate Assistant Commissioners also should be placed under the Legislative Department. In this connection, the following remarks made by the Chief Justice of the Bombay High Court in the Income-tax Reference reported in I.T.R. 43, Vol. 11, parts 13 and 14, page 347—*Commissioner of Income-tax* v. *Edulji F. E. Dinshaw* :—

> " I have been hearing Income-tax references in this Province for the last 13 years and I would say that in at least 90% of the cases which have come before this Court, the Assistant Commissioner has agreed with the Income-tax Officer and the Commissioner has agreed with the Assistant Commissioner, however complicated and difficult the question may have been. Although that may have been the result in *practice* of giving the right of appeal to Superior Income-tax Officers, I apprehend that it was not what was in the contemplation of the Legislature when they gave the right of appeal. If independent Appellate machinery is provided for under the direct supervision of the Legislative Department, a great relief would be granted to even small tax-payers, who cannot make an appeal to the Appellate Tribunal against the decision of the Appellate Assistant Commissioners, who are attached to the Department and under the Central Board of Revenue."

(11) *Delays on disposing of Assessments, revision Applications, Reference to Court, etc.*:

We have in the past drawn the attention of the Board to the delays in disposing of assessments, revision petitions, and reference to Courts. Under the Act an assessee is required to make a reference to the Court against the order of the Tribunal within 60 days, and it is but fair that, as large amounts of tax in dispute are collected under the provisions of the Act,

references to the Court on the department side also must be expedited; otherwise assessees are put to needless inconvenience.

(12) (*a*) *India-Burma Income-tax Relief Order—Relief to the same Assessees who are at one end assessed as Registered Firms and at the other as Unregistered Firms*:

Under the above Order, a person who paid the Indian Income-tax for any year is entitled to relief on the prescribed basis by way of refund of tax, if it is found that he has paid tax on the same income or a part thereof in Burma under the Income-tax laws of that country. We understand that the Income-tax Department here is, on technical grounds, trying to refuse the grant of such refund in certain cases. Where a firm has been a registered firm in British India, but an unregistered firm in Rangoon, the Department seems to hold the view that no relief should be allowed to the partners on the ground that the tax is not paid by the *same* person. Even if the person is the same, e.g. the firm is registered in Rangoon and unregistered in British India, the tax being paid at both ends in the name of the firm, the refund is not allowed. After all the object of this Order was the prevention of or avoiding double taxation of the same income by different taxing Governments. This object will be defeated if such fine distinctions are drawn. The persons constituting the partnership who actually pay the tax at both the ends are the same and there is, therefore, no justification for denying the relief under the circumstances referred to above.

(*b*) *Burma Registered Companies and Liability to Tax on Payments received in India relating to Periods before Evacuation*:

Several companies, registered in Burma, have received payments in India from the Government of Burma as well as from other parties, after Burma came under enemy occupation, for services rendered by them, or for amounts due to them, while those companies were functioning in Burma. Will the amounts received in India, by the said companies under the above circumstances, be liable to taxation under the Indian Income-tax Act and the Excess Profits Tax Act?

The following is the summary of the replies given by Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayers, C.I.E., Excess Profits Tax Adviser to the Board

1(*a*) *Allowance of Expenses incurred for Registration of Trade Marks* :

Sir John Sheehy observed, in reply, that he was inclined to consider such expenses as of capital nature. However, the question would be referred to the legal advisers of the Government and the Board's final decision on the point would be communicated in due course.

(*b*) *Allowance of Expenses incurred for Professional Services of Experts and Lawyers re* : *Income-tax and E.P.T. matters* :

In reply he pointed out that under the instructions issued by the Board audit and other accountancy expenses incurred annually, including expenses for settling income-tax liability by an assessee, would be allowed. Moreover, by a recent circular it had been decided also to allow expenses incurred in connection with appellate proceedings under Section 23-A, if the appeal succeeded. The Board were unable to go further than that and to authorize the allowance of all expenditure for professional services of experts and lawyers in connection with income-tax work.

(*c*) *Losses due to Theft, Embezzlement or Negligence by Employees* :

Sir John mentioned that obviously the matter had arisen out of a recent case in Bombay. That particular case, however, had been referred to the Central Board of Revenue and the matter was being looked into. He appreciated the need for enlarging the scope of the circular so as to cover losses due to negligence of employees also. While he did not wish to commit himself at that stage, he said that the Board would examine the feasibility of issuing a supplementary circular covering that particular aspect.

2(*a*) *Administrative Control re* : *Assessment of Life Assurance Companies* :

He observed that in order to achieve uniformity in regard to assessment of insurance companies, it was found necessary

for the Central Board of Revenue to examine all the cases and to standardize the basis and procedure. However, after the case of any Insurance Company was once examined by the Board the same was sent to the Income-tax circle concerned. In future, therefore, except in the case of companies whose cases had not been examined at headquarters, it would not be necessary for the Board to call for or look into the cases of assessments relating to insurance companies.

(*b*) *Taxation of Additional Reserves maintained by General Insurance Companies*:

After detailed discussion, Sir John Sheehy informed the Committee that Insurance interests had already made a representation to the Central Board of Revenue and the question would be examined.

3(*a*) *Amendment of the Provision re*: *Compulsory Distribution of* 60% *Assessable Income*:

At the time of the amendment of the Act in 1939 the provision in Section 23(A) was fully discussed and thrashed out both at the Select Committee stage and in the Legislature. Subsequently, in response to representations, income-tax and super-tax were allowed to be excluded in determining the quantum for distribution. After the introduction of the E.P.T. the amount of that tax was also to be excluded in determining 60%. The distribution, therefore, was out of the net amount after excluding all the above items. After all, the provision did not involve any hardship on the companies as such, but was only intended to ensure that individual partners did not escape payment of the legitimate share of super-tax. He was not convinced of the need for any amendment to the section in question.

(*b*) *Distribution of* 60% *and Compulsory Deposit under the E.P.T. Ordinance*:

Compulsory deposits under the E.P.T. Ordinance could not be deemed as in the nature of outgoings as they were to be refunded to the assessees after the war with interest and with an extra payment. In practice, therefore, private companies would not have to experience any serious difficulty on account of the provision. Government were unable to agree to the suggestion that private companies should be excluded from the

provision of compulsory deposit; nor was it possible to agree to exclude the amount of such deposits for the purpose of 60% distribution.

Section 23-C—Definition of the term "Public" Company for the Purpose of the Section:

Any generalization as to the type of persons who would be deemed as "public" for purposes of share holding in such companies was not possible. Each case would have to be considered on its own merits. In the social conditions of this country, where in a large number of cases joint family system prevailed, it was difficult to exclude nieces as not being near relatives for the purpose of the provision in question. It was, during the course of the discussion, pointed out by members that in England the classes of relatives excluded for the purpose were enumerated in the corresponding provision of the Act and that a similar procedure should be adopted here also.

Members further pointed out that the provision in the Articles of Association regarding right to the management of a company to refuse to allot or transfer shares was being looked upon by the Department as an indication that such companies were of a private nature. It was explained that such an Article was common and that in the model Articles in table "A" of the Companies' Act the said provision occurred and that, therefore, the presence of any such conditions should not be taken as an indication that the shareholding of the company was controlled by the management.

Sir John Sheehy promised to look into the matter.

4. *Section 24(2)—Set-off of Losses—Interpretation of the term "Same Business":*

In reply he observed that in the case of an assessee doing business both "ready" and "forward" in the same commodity, the two types of business would be treated as one and would not be deemed as separate business for the purpose of the Section and the loss in one would be allowed to be set off against the profits of the other. Similarly, in the case of straddle business, assessment would be based on the result at both the ends of the transaction.

As to whether different kinds of activities by the same individual were in the nature of separate business or amounted to same business, he replied that the question was one of fact and would have to be determined with reference to each case, and it was not possible to lay down any general rules or instructions to govern the same. He, however, assured the Committee that if in any particular case where there was cause for grievance, it would be looked into if the details were forwarded to him.

5. *Section 7—Deficiency Relief—Set-off against Share in another Partnership or Trade* :

Mr. Ayers, who answered mainly the question relating to E.P.T. Act, pointed out, in reply, that the Act as it stood did not provide for the relief referred to by the Committee. If, however, as mentioned by the Committee, the same had subsequently been provided in U.K. the position would, in due course, be considered here also. (Instructions have since been issued providing for this relief)

6. *Section 26—Allowance under Section 26(3) for Plant, Machinery, etc. not required by the Business after the War, and for Buildings and Extensions for War Work* :

Mr. Ayers explained that the general principle in respect of the issue was that if on an application the Central Board of Revenue was satisfied that the provision of certain buildings, plant and machinery by an assessee would not be required for the purpose of the business after the termination of the hostilities, full allowance was given to the assessee of the whole cost thereof, less such value the extension or the machinery could be expected to realize either as scrap or otherwise in the market, after the war. The amount would be allowed to be wiped out in 3 or 4 years although in exceptional cases the cost might be allowed to be written off within a shorter period. He, however, mentioned that in this matter, the period would have to be decided with reference to the facts of each case.

So far as Income-tax was concerned, the normal depreciation at the rates provided by the rules under the Act would be allowed. There was a further provision in the Act for unabsorbed portion of the depreciation being allowed when the

machinery or equipment in question ceased to be of any use and had to be written off completely.

7. *Schedule I—Rule* 11—*Power to spread Expenses* :

Mr. Ayers pointed out that it was not possible to lay down as a general procedure that expenses should be spread either backwards or forwards only. The point would have to be decided with reference to the facts of each case. He was inclined to think, however, that in general it would be more appropriate to spread abnormal expenses backwards, as, generally speaking, such large expenditure in a particular year was on account of arrears of the past. In any case, it was not possible to agree to the suggestion of the Committee that expenses should be spread only forwards.

8(*a*) *Deposits under the E.P.T. Ordinance and under Section 10 of the Finance Act should be treated as Capital* :

Mr. Ayers in reply pointed out that there were no certificates in India similar to the Tax Reserve Certificates in England. Regarding the suggestion that deposits under the E.P.T. Ordinance should be treated as capital employed in the business, he observed that the extra payment of 6 1/3% when the deposit was returned and the interest of 2% allowed on the same were a sufficient return to the assessee for the amount thus held back. There was, therefore, no case for any further relief on the lines suggested by the Committee.

In reply to an enquiry, Mr. Ayers informed the Committee that compulsory deposits would not be treated as capital employed in business even for banks and investment companies. He also added that the post-war payment of 6 1/3% to an assessee would be liable to tax in the year of receipt, at the rate applicable then.

8(*b*) *Rule* 3—*Moneys not required—Allowance of Cash required for meeting Tax Liability* :

Mr. Ayers observed that instructions had already been issued that the rule for excluding moneys not required for the purpose should not be invoked unless it was clear that some part, material in amount, was in excess of the actual requirements of the business and that temporary increases which in due course were converted into business assets called for no

action under the rule. Liabilities in respect of income-tax, super-tax and E.P.T. are deductible under the provisions of the proviso to Rule 2 of Schedule II and in computing money be made for the purpose of the business allowance would be made for such liabilities, so long as they remained unpaid, in order to avoid the disallowance twice of the same liability.

12(*a*) *India-Burma Income-tax Relief Order—Relief to the same Assessees who are at one end assessed as Registered Firms and at the other as Unregistered Firms* :

If particulars of any case which the Committee might have in view were sent to him he would look into the same.

Due to want of time, the other points raised in the memorandum were not discussed, but Sir John Sheehy promised to send his replies covering those points, in writing.

APPENDIX 45

Allowance under Section 10 of the Income-tax Act

Letter No. 1298 dated 22nd April 1943 from Chamber to Central Board of Revenue, New Delhi.

My Committee are informed that at present expenses in connection with the execution of a lease are treated as capital expenditure and are not admissible as a deduction. Renewal of a lease is also deemed to be not different from an original lease and the same procedure applies. In this connection, my Committee learn that in the United Kingdom, the following relief is granted under executive instructions so that expenses for renewal of a lease not exceeding 50 years are allowed to be treated as a proper charge against the profits for the year concerned :—

> " The Inland Revenue have now revised their practice with regard to legal expenses on the renewal of leases, and they are prepared to allow such expenses provided the renewal of the lease is for a period of less than 50 years."

Similarly, expenses incurred for business removal are allowed in the United Kingdom, unless the removal was as a result of business expansion. The following extracts from Spicer

& Pegler's "Law of Income-tax", 4th Edn. p. 141, explains the procedure that is being followed in the United Kingdom :—

> "Expenses of removing business premises are not allowable deductions (*Granite Supply Association* v. *Kitton* (1905), 43 Sc. L.R. (65). Compulsory removal expenses have hitherto been allowed as deductions in practice, and in any event the cost of removing stock-in-trade is allowed. It is understood that a more lenient attitude is now adopted, and that all removal expenses will be allowed unless the removal arises as a result of mere business expansion, when the expenses to be allowed will be considered on their merits."

It is requested that the Board will be pleased to issue similar instructions here also, so that the above items of expenditure may be allowed for income-tax purposes.

Letter No. R.Dis. No. 27(35) dated 21st June 1943 from Central Board of Revenue, New Delhi to Chamber.

With reference to your letter No. 1298, dated the 22nd April 1943, I am directed to say that the Board have, following the practice obtaining in the United Kingdom, decided that legal expenses incurred in connection with the renewal of a lease should be allowed as an admissible deduction for purposes of income-tax provided that the renewal of the lease is for a period of less than fifty years. In the case of renewal of a lease for a number of years, the expenditure will, for the purposes of excess profits tax, be spread over the number of years concerned under Rule 11 of Schedule I to the Excess Profits Tax Act, 1940.

2. The Board have also decided that expenditure incurred on compulsory removal of business premises should, as in the case of A.R.P. expenditure, i.e. where the removal has taken place under the directions of Government, be allowed as a deduction for purposes of Income-tax and Excess Profits Tax. Expenditure incurred on removal in all other cases will be considered on merits.

APPENDIX 46

Allowance of Expenses incurred in connection with the Registration of Trade Marks for Income-tax purposes

Letter No. 3260 dated 20th December 1943 from Chamber to Central Board of Revenue, New Delhi.

The Committee of this Chamber had occasion to discuss the above question with Sir John Sheehy and Mr. C. W. Ayers when they met them on 19th August last. They had then urged that expenses incurred by assessees for the registration of existing Trade Marks should not be treated as a case of acquiring any new rights of a capital nature and that the same should be allowed in the computation of profits for purposes of income-tax assessment.

They have since seen a copy of circular No. 33 of 1943 R Dis. No. 27 (80)-IT-43 dated the 12th November 1943, whereby it is provided (1) that the cost of initial registration of new trade marks should be treated as of a capital nature since such registration creates a capital asset, (2) that any expenditure incurred on renewal of registration should be allowed as a revenue expense and (3) that in the case of old trade marks the cost of first registration should, as in the case of new marks, be treated as an expenditure of a capital nature.

In this connection, I am desired by my Committee to bring to the notice of Government that so far as registration of old trade marks are concerned, the above decision of Government will involve a serious hardship and is not at all equitable. There is a clear line of demarcation between expenses involved in registering existing trade marks and expenses involved in acquiring a new trade mark. In the former case no new assets either tangible or intagible, are acquired and no new benefit is sought to be derived by the owner of the mark. Even before the Trade Marks Act of 1940 was passed, such marks were protected under the common law and the owners of such marks have by virtue of habitual user, acquired proprietary and valuable rights attached to such marks. Registration of existing marks does not confer any new right. The only advantage is that by such registration action for any infringement of rights is made easy and facilitated.

This aspect was recognized when the Trade Marks Act was passed in 1940 and the existing inherent rights under the common law are preserved by Section 22 of the Act which provides that " nothing in this Act shall be deemed to affect the rights of action against any person for passing of goods as the goods of another person or the remedies in respect thereof ". Obviously, even if the old mark is not registered, the remedies and rights available under the common law would still be open to the owner or proprietor of such marks. It must be recognized that the expenses incurred for registration under the Act of old marks already in use were not incurred with the object of bringing about a new capital asset but only for protecting an asset which already existed before the Act was passed. Moreover, if expenses of renewal of registration are allowed as revenue expenditure, on the same analogy, there is no reason why the initial expenses incurred in registering the existing Trade Marks should not be allowed as an expenditure. The proposal of Government, therefore, to treat old trade marks in which a right has been acquired by exclusive and prior use in the same way as new trade marks and to consider the expenses in connection with the same as of a capital nature is extremely unfair and unjustified.

My Committee, therefore, request that the matter should be reconsidered and that instructions should be issued to allow such expenses so far as old trade marks are concerned as revenue expenses admissible for taxation purposes.

Letter No. R. Dis. No. 27(80) dated 10th January 1944 from Central Board of Revenue to Chamber.

In reply to your letter No. 8260, dated the 20th December 1943, I am directed to say that the Board are unable to accept your suggestion for amending the instructions so as to admit of the cost of first registration and other incidental expenses thereto in the case of old trade marks being allowed as revenue expenditure in income-tax assessments.

APPENDIX 47

Disablement Policies

Letter No. 565 dated 20th February 1943 from Chamber to Central Board of Revenue, New Delhi.

As a measure of precaution and with a view to ensure that employees generally stick on to their jobs during times of enemy raids, many employers have taken out policies of insurance covering risk of disablement or death of employees, directly or indirectly, by enemy action. There have also been group insurance schemes for such purposes. The question naturally arises whether payments by way of premia for securing such insurance are allowed while computing income for purposes of assessment. It is true that such an expenditure is not specifically mentioned in the items prescribed under Section 10 of the Indian Income-tax Act. Sub-section (2) (iv) only allows expenditure in respect of insurance against risk of damage or destruction of buildings, etc. The omission of separate mention of expenditure of such war risk employees insurance can be explained by the fact that, when the Act was framed, the contingency of such an expenditure could not have been in the minds of the Legislators. My Committee, however, believe that the said item comes under sub-section (2) (xii), viz. any expenditure "wholly and exclusively for the purpose" of the business. They, therefore, request that the Board will be pleased to issue necessary instructions authorizing the allowance of such expenditure.

APPENDIX 48

Grossing up Dividends

Letter No. 1296 dated 22nd April 1943 from Chamber to Central Board of Revenue, New Delhi.

The attention of the Committee of this Chamber has been drawn to the injustice to which assessees are put to by the failure of the Income-tax department in not adhereing strictly to the requirements of Section 49-C in the matter of affording to a shareholder necessary benefit in respect of double income-tax relief granted to a company. Under Section 16(2) of the Act, the dividend income of an assessee is grossed up by adding thereto the amount of income-tax payable on such in-

come calculated at the rate applicable to the total income of the Company for the year concerned. At the time, however, of making the necessary adjustments credit for tax paid is given on the basis of the effective rate applicable for the Company. It may happen that the Company concerned might have been entitled to relief in respect of double taxation under Section 49, and consequently the rate at which the Company pays tax is reduced by the amount refunded and this reduced rate is called the effective rate. Section 49-C provides that relief granted to a Company is to be deemed as relief to the shareholders, and as such the assessee should be given double income-tax relief at the rate at which such relief is granted to the Company or at the appropriate rate. As the assessees concerned have no direct knowledge of the extent of the relief obtained by the Company and as perhaps in many cases they often ignore to make specific claims in that regard, the benefit of the relief is not extended to them, with the result that there is an over-assessment in such cases. The position regarding the combined effect of Section 49-C, together with Section 16 (2) and 49-B, is illustrated in the notes annexed to the Income-tax Manual (8th Edn.) page 333. It is necessary to enjoin that the basis explained in the notes should be strictly adhered to by the Department and that relief due on this account to shareholders should be given as a matter of course.

My Committee hope that the Board will be pleased to examine this point and if convinced about the wrong practice followed by the department issue necessary instructions to the Income-tax Officers to correct such omissions in all cases under Section 35 of the Act.

Letter No. C. No. 41(3)IT dated 12th June 1943 from Central Board of Revenue to Chamber.

Reference your letter No. 1296, dated the 22nd April 1943. Any specific case in which the instructions on page 333 of the Income-tax Manual referred to by you have not been followed should be brought to the notice of the Commissioner of Income-tax concerned for necessary action.

APPENDIX 49

Co-operative Societies — Exemption from Income-tax

Letter No. 918 dated 23rd March 1943 from Chamber to Central Board of Revenue, New Delhi.

Having regard to the beneficial effects to society in general on account of the Co-operative Movement, Government considered it fit, as an act of encouragement and assistance to the movement, to exempt the profits of co-operative societies generally from liability to income-tax. This exemption was granted by a Notification issued under Section 60 of the Act. My Committee are aware that it was, however, provided that the said exemption was not to be extended to income arising from investment in securities or from dividends. The intention, however, was that all income of a co-operative nature shall be deemed exempt from tax.

It has been pointed out to my Committee that investments by one co-operative society in mortgage debentures of a Land Mortgage Co-operative Bank has not been treated as coming within the co-operative movement and income accruing from such investment is sought to be taxed. Interest earned on investments in debentures of Co-operative Land Mortgage Banks should be deemed to be fully within the co-operative movement, and as such, coming within the scope of the exemption. There is no justification for treating the income from such investments as in the nature of dividend income, for, the central object of the exemption was that income from co-operative activities required to be treated differently from income from ordinary trading activities. A Land Mortgage Bank is an essential link in the co-operative chain and my Committee submit that the interest income earned by any Co-operative Society from investments in the shape of debentures of such Land Mortgage Banks should be exempted from taxation.

It is requested that the Board will be pleased to consider the matter sympathetically and issue necessary instructions at an early date.

Letter No. C.No.59(2) dated 6th April 1943 from Central Board of Revenue, New Delhi to Chamber.

Please refer to your letter No. 918 dated the 23rd March 1943 on the above subject. The interest earned by a Co-opera-

tive Bank from investments held in the shape of debentures issued by a Co-operative Land Mortgage Bank cannot be said to be income earned during the normal course of business of a co-operative society and cannot therefore be regarded as business profits. Such income is therefore assessable under the head 'other sources'. I am to invite your attention in this connection to the Madras High Court decision reported in 1942 I.T.R. 490. The Board do not see any reason for the grant of a concession in this respect.

APPENDIX 50

Relief against Doubly-taxed Income

Letter No. 917 dated 23rd March 1943 from Chamber to Central Board of Revenue.

It is a fundamental principle which has been accepted in all taxation systems that the same income should not be subject to double taxation. Recently, the equity of avoiding double taxation has been extended even when such taxation is by two different taxing authorities or Governments and a system of relief by bi-lateral agreements between taxing Governments is in vogue. It is, therefore, of paramount importance that every care should be taken to see that, at any rate, an assessee is not obliged to pay tax to the same taxing authority on the same income more than once. The Income-tax Act should include adequate provision for relief on occasions when the same income has been subjected to tax more than once.

Under Section 151 of the United Kingdom Income-tax Act, 1918, the necessary relief against double assessment has been provided and a person, who has been assessed to tax once and is by error or mistake again assessed for the same year and for the same income, can on application to the Commissioners get the necessary relief from such double assessment. It has been pointed out to my Committee that the Indian Act does not contain analagous provisions and an assessee who finds that his income has been doubly taxed has to invoke the cumbrous procedure of getting his assessment rectified under Section 35 for getting any relief. Incidentally, it may be mentioned that the provisions in regard to re-opening of assessment and recti-

fication of mistakes are common both to the Indian Act and to the English Act and the special provision relating to double assessment is an additional safeguard provided under the English Act.

It may be argued that an assessee, under such circumstances, could approach the Commissioner to exercise his power of revision under Section 33-A and claim relief to which he is legitimately entitled. There are obviously technical difficulties for such a procedure being practical in actual working. In the first place, if the Commissioner does not *ab initio* move in the matter, the assessee is not entitled to compel him to do so. Moreover, technical difficulties could be raised on the ground that the relief available in the form of an appeal to the Assistant Commissioner was not exercised in due time. Since the fact of double assessment would be known to assessees only perhaps after some time after the assessment, it may not be feasible for them to prefer appeals within the time limit and because of that their request to the Commissioner to exercise his power of review might be rejected on technical grounds. In view of these difficulties, it is necessary that the Act should include specific provisions, entitling the grant of relief on occasions of double assessment.

It is requested that the Board will be pleased to consider the matter favourably.

APPENDIX 51

3½% Indian Sterling Stock 1931

Letter No. 763 dated 10th March 1943 from Chamber to Finance Department, New Delhi.

The procedure relating to the redemption of the above Sterling Stock was explained in a memorandum issued by the Reserve Bank of India on 10th August 1942. Accordingly, the Reserve Bank, as Agents of the Bank of England, were to receive with effect from 1st October 1942 at their Bombay and Calcutta offices, Bonds and Stock certificates to bearer and documents relating to registered and inscribed stock of the above security from Scheduled Banks and recognized Brokers and were to forward them to the Bank of England for payment

of the redemption proceeds to the holder's London Agents on terms set forth therein. Interest on these bonds, therefore, naturally ceased as from the 5th January 1943. It has been pointed out to my Committee that there are cases where the holders had surrendered their bonds in the manner prescribed as early as the first week of October 1942; but have not, as yet, received the proceeds, with the result that they have suffered loss of interest caused by either delay in transit or any other cause beyond the control of the holders. In the event of the documents being lost in transit, it is provided that the Bank of England will be requested to make payment on the duplicate copies of the covering schedule and documents supported by the Reserve Bank's indemnity. In view of this, it could have been also arranged by the Bank of England with the Reserve Bank of India to make payments of the redemption proceeds on the due date, i.e. 5th January 1943, against delivery of at least the bearer bonds. Besides being a facility, this would have minimized the loss of interest to holders under the present arrangements. My Committee request that the Government of India will be pleased to look into the matter and arrange to see that holders are compensated for loss of interest caused through delay or for any other reason, and an assurance to this effect should be immediately given.

Letter No. D|2994-B43 dated 26th March 1943 from Finance Department, Government of India to Chamber.

With reference to your letter No. 763 dated the 10th March 1943, regarding 3½% sterling stock 1931, I am directed to state that, as the stock was 'redeemed' after giving the prescribed notice and not 'repatriated', it would have been necessary in the ordinary course for the holders of the stock to send their documents to London for presentation to the Bank of England. In view, however, of the present difficulties of communication and the risks involved in transit, arrangements were made by the Bank of England with the Reserve Bank to receive the bonds, etc. in India, as their agents, and to transmit them to the Bank of England, who on receipt would make payment to the holder's London Agents.

2. It would be observed that this arrangement was designed to facilitate redemption and to minimize the risk of loss

to owners and the inconvenience to which they would have been subject had they to send the documents to the Bank of England. It was made clear in the memorandum relating to the redemption of this stock that the Reserve Bank was acting only as Agents of the Bank of England and would not be responsible for any delay which might occur in payment. There can therefore, be no question of compensation for loss of interest as a result of delay.

8. Ordinarily, a period of ten weeks would be sufficient for documents to reach London, and although there may have been delay in individual cases, the position now is that all securities delivered to the Reserve Bank up to the 23rd December 1942 have been received and acknowledged by the Bank of England. In the few cases where securities have been delivered after that date, there is no reason to anticipate any delay in payment.

APPENDIX 52

Decisions of the Income-tax Appellate Tribunal

Letter No. 915 dated 23rd March 1943 from Chamber to Central Board of Revenue, New Delhi.

My Committee had, early last year, addressed the President of the Income-tax Appellate Tribunal making suggestions on matters arising out of the Rules and Procedure of the Tribunal. One such suggestion related to arrangements for the publication of the decisions of the Tribunal. The Registrar of the Tribunal sent a general reply, in which it was mentioned that the suggestions would be kept in view in formulating the Tribunal's proposals for consideration by Government. I am desired by my Committee now to approach Government with a request that arrangements should be made for publishing the decisions of the Tribunal on points of law for the information and benefit of the general public. The facts of the cases and the names of the parties concerned may be withheld; but, where important points of law are involved, it would be of great assistance to the public if a summary of the decisions on the same is published. As it happens at present, the department has knowledge of the result of every case decided by the Tribunal and can circularize the same to

all their officers. Decision in particular cases would be a matter of guidance to them in deciding whether similar cases involving almost identical points of dispute should be allowed to be taken to the Tribunal in appeal. The public should also have the same facility and it is submitted that Government should evolve a procedure for recording, with a view to publication, the decisions on matters affecting points of law involved in the cases coming before the Tribunal.

It is hoped that Government will be pleased to accept the above suggestion and make necessary arrangements at an early date.

Letter No. F. 11|43-I.T.A.T. dated 16th November 1943 from Central Board of Revenue, New Delhi to Chamber.

With reference to your letter No. 915, dated the 23rd March 1943, to the address of the Secretary, the Central Board of Revenue, I am directed to say that as the Income-tax Appellate Tribunal is not a court of record and is not bound by its previous decisions the Government of India regret that they are unable to accept the suggestion of your Chamber.

APPENDIX 53

Amounts due as Income-tax in Insolvency and Liquidation Proceedings

Letter No. 3130 dated 1st December 1943 from Chamber to Central Board of Revenue, New Delhi.

The attention of my Committee has been drawn to a recent decision of the Special Bench of the Lahore High Court in the case *Governor-General-in-Council* v. *Sarghoda Trading Co., Ltd.*, in regard to the exact legal position of income-tax dues in insolvency and liquidation proceedings. The main facts of the case may be briefly stated as under. The company in question was in financial difficulties and did not file a return of its income within the stipulated time, but was granted an adjournment. In the meanwhile an Order was made for winding up the company and a provisional Liquidator was appointed. A return of income, without the necessary supporting documents and accounts, was made by the Manager after the winding-up

order. The Income-tax authorities asked for the necessary books and documents and as the same were not produced within the required time, the company was summarily assessed under Section 23(4) of the Act. The provisional liquidator, who was not in the know of these developments, subsequently applied for time for submitting return of income with the necessary documents, but the same was not granted. The Income-tax authorities also turned down his application under Section 27 of the Act for the cancellation of the assessment.

In the subsequent proceedings before the Liquidation Judge, the Income-tax authorities claimed that the production of their assessment order was sufficient proof of the debt and that it was not necessary to have the debt formally proved to establish their claim for tax dues. As the point was not conceded by the Learned Judge in question, an appeal was preferred before the Special Bench. The Appellate Court ultimately held that—

(1) the Liquidation Court should treat the assessment as *prima facie* evidence of the amount of tax due;

(2) it was competent for the Liquidator to lead evidence to prove that the assessment did not represent the real taxable income;

(3) where the tax did not become due and payable until after the winding up order had been made, the Crown could not claim priority for amount of tax due.

In the course of the judgment, reference was also made to the practice in England under the Board of Trade Regulations of May, 1888, under which is provided that—

> "Where income-tax is outstanding under Schedule D, the Inland Revenue Authorities will, on receipt of an affidavit by the debtor with a certificate by the Official Receiver or Trustees setting out that the debtor has made no income taxable under such schedule, forego all claims to payment of tax whether the same is payable in full under Section 40 of the Bankruptcy Act, 1883, or otherwise."

The above relief is not available in this country.

I am directed by my Committee to suggest that the Central Board of Revenue should recognize the reasonableness and equity of the position as enunciated in the judgment in question,

and issue instructions that the Income-tax Department should not seek to secure any preferential treatment for tax debt in liquidation and insolvency proceedings, so that the chances of other creditors getting proportionate relief in distribution were not affected. It is also necessary to accept the position that the claim of the Revenue in such liquidation and insolvency proceedings should, as in the case of other claims, be proved formally.

It is hoped that the Board will be pleased to take necessary steps in the matter at an early date.

APPENDIX 54

Double Income-tax Relief between India and Burma

Letter No. 566 dated 19th February 1943 from Chamber to Central Board of Revenue, New Delhi.

The attention of my Committee has been drawn to certain difficulties experienced by assessees in the matter of the administration of the provisions of the India and Burma (Income-tax Relief) Order, 1936. Under the said Order, a person who has paid Indian income-tax for any year is entitled to relief on the prescribed basis by way of refund of tax if it is found that he has paid tax on the same income or a part thereof in Burma under the Income-tax law of that country. My Committee are, however, given to understand that the Income-tax Department is, on technical grounds, trying to refuse the grant of such refunds in certain cases. Where a firm has been assessed as a Registered firm in British India, but as an unregistered firm in Rangoon, the Department seems to hold the view that no relief should be allowed to the partners on the ground that the tax is not paid by the *same* person. Conversely, if a person has been assessed as a registered firm in Rangoon, but as an unregistered firm in India, relief is denied to the partners on the same grounds. It is very unfair that the artificial distinction sought to be made out between a registered and an unregistered firm should stand in the way of the real tax-payers getting the refund of tax contemplated under the arrangement. After all, the object of the arrangement was the prevention or avoidance of double taxation of the same income by two taxing

Governments. This object will be defeated if such fine legal distinctions are drawn with a view to denying the legitimate relief to the tax-payers concerned, when the persons constituting the partnerships, who actually pay the tax at both the ends, are the same. My Committee, therefore, request that the Board will be pleased to issue instructions with a view to the relief being granted, as a matter of course, in all such cases.

APPENDIX 55

Increased Depreciation Allowance

Letter No. 3190 dated 11th December 1943 from Chamber to Central Board of Revenue, New Delhi.

My Committee are glad to note that, in response to representations made by the textile industry, the question of increased allowance for depreciation for textile machinery is at present being examined by a Departmental Committee presided over by Sir John Sheehy, Member, Central Board of Revenue. They hope that as a result of the deliberations of the Committee, necessary adjustments will be made in the existing basis of allowing depreciation for textile machinery so that the textile industry of the country may not find itself placed in a position of disadvantage due to the high wear and tear to which it is subjected in these days of hectic activity occasioned by circumstances created by war.

In this connection, I am desired by my Committee to urge upon the Board the necessity for giving similar consideration to the case of machinery used in other industries also. It is common knowledge that almost all the industries at present working in India are more or less doing work connected with war, directly or indirectly, and are also working to the full extent of their capacity. Many industries have to work longer hours, sometimes double shift or even more. Wear and tear naturally are larger. The anxiety to key up production to maximum levels further prevents due attention being paid to timely repairs or renewals in order to avoid machinery lying idle even for a short while. Further, there are difficulties in securing spare parts or replacing worn-out material with the

result that there is a slow process of deterioration in the condition of the machinery. The cumulative effect of all these factors will be that after some time industrial machinery in general would have deteriorated much more than in normal periods. Therefore, the normal life for such machinery assumed in the existing schedule of allowances under Rule 8 of the Income-tax Rules would generally tend to become an over-estimate with the result that the existing rates of depreciation will not meet the requirements of the situation.

These rates were fixed at a time when neither the Government in India nor the public in general thought that industrial equipment in India would be called upon to bear the stress and strain of intensive production accelerated by war-time requirements. Even then the rates were considered by many as erring too much on the side of conservatism, and my Committee, in common with many other organizations in the country, had pleaded for increased rates of allowance so as to permit the attainment of a higher standard of industrial efficiency. In the circumstances created by the war-time working conditions, the need for such a revision is emphasized and is practically now overdue, as otherwise industrialists may find to their cost, before long, that their machinery and equipment have been almost 'worked to death'.

It is pertinent, in this connection, to mention that the present taxation policy of Government is also militating against the accumulation of sufficient reserves for post-war industrial rehabilitation. The E.P.T. and the increase in the rates of Income-tax absorb over 80 per cent of increased profits accruing to industrial undertakings and even out of the balance a good portion is covered up by expenses which are deemed to be disallowable for taxation purposes. In the result, there is neither the incentive nor the possibility of industrial undertakings being enabled to build up substantial reserves during these times for renovating machinery or to make up for abnormal strain in war-time working.

The existing basis of granting extra allowance for double shift or increased hours of work is also very unsatisfactory as the maximum is limited to 50% of the normal rates and again an element of discretion is introduced in the granting of the

allowance. Moreover, for several items on the schedule this extra allowance for increased hours of work is specifically precluded.

Further, shortage of supplies and higher costs have necessitated economy in aids to smooth and easy working of machinery. The supply of lubricants, higher types of oil, etc. are necessarily restricted. All this tend to cause greater strain on the machinery, thereby adding to its wear and tear.

Having regard to the foregoing considerations, my Committee urge that the Central Board of Revenue should examine the question at an early date and issue orders authorizing the grant of increased rates of depreciation allowance for all items of machinery and equipment for the duration of the war so that the task of rehabilitating industry at the end of the emergency may be facilitated and so that the present taxation policy may not come in the way of industrial efficiency of the country. The importance of keeping machinery and equipment trim and up-to-date has been recognized in all industrially advanced countries and it would be in keeping with that policy if Government were to appreciate the existing state of affairs here and sanction increased rates of depreciation allowance in the present conditions. It is hoped that Government will be pleased to issue necessary orders at an early date.

APPENDIX 56

Depreciation on Producer Gas Plant

Letter No. 3116 *dated* 30*th November* 1943 *from Chamber to Central Board of Revenue, New Delhi.*

As the Board are aware, due to difficulties connected with the shortage of petrol, a large number of motor vehicles in the country has been fitted with Gas Producer Units. It is common knowledge that the equipment in question is susceptible to easy wear and tear, and the normal useful life of the Gas Unit is comparatively very short. No separate rate of depreciation has been fixed under the Income-tax Rules for this kind of equipment, with the result that perhaps the same would be allowed only the rate of depreciation for the motor vehicle, being treated as part of the same.

In this connection, my Committee are given to understand that recently in the United Kingdom, the Board of Inland Revenue have agreed to a depreciation allowance of 50 per cent a year on the basis of the written-down value for Producer Gas Units.

It is, therefore, requested that the Board will be pleased to sanction the same rate of allowance in this country also and make the necessary provision by the addition of an entry to that effect to the existing Schedule of Rates.

Letter No. 27(41)I.T. dated 17th December 1943 from Central Board of Revenue, New Delhi to Chamber.

With reference to your No. 3116, dated the 30th November 1943, I am directed to say that for income-tax purposes, the position in India is different from that in the United Kingdom, because Section 10(2) (vii) of the Indian Income-tax Act secures that the whole cost is allowed. In so far as excess profits tax is concerned, I am to say that the Board will be prepared to pass orders securing that the whole cost is allowed during the life of the tax if applications to this end under Section 26(3) of the Excess Profits Tax Act are made. The Board do not for these reasons, therefore, consider that any action on the lines suggested by you is either necessary or desirable.

APPENDIX 57

Loss by Embezzlement or Theft

Letter No. 1274 dated 21st April 1943 from Chamber to Central Board of Revenue, New Delhi.

The Committee of this Chamber had raised the question of the admissibility of loss by embezzlement or theft for income-tax purposes at the interview which they had with Mr. J. F. Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, on the 12th July 1939. They had urged that such losses should, as a matter of course, be allowed and that necessary instructions be issued to the department. The suggestion was accepted and subsequently by a Circular issued by the Board, viz. No. 25/1939, dated the 17th August 1939, instructions were issued for the guidance of Income-tax Officers regarding the procedure

to be followed in dealing with claims for allowance in respect of losses by theft or embezzlement. Briefly, the position is that the Board desired that claims should be allowed if the Officer concerned was satisfied from the evidence placed before him that theft or embezzlement had, in fact, taken place.

Recently, the attention of the Committee of my Chamber has been drawn to an instance in which a claim for allowance in respect of loss of this type has not been allowed in Bombay. The facts of this case are stated in detail in the statement submitted by the assessee, viz. Shri Ram Mills Ltd., to the Income-tax Officer concerned, a copy of which, is sent herewith. In the said statement, several legal decisions affecting the point at issue have also been cited.

It may perhaps be suggested that as the prosecution against the employee concerned did not succeed and as he was discharged, theft or embezzlement had not in effect been proved or established. The employee concerned might have been discharged for want of adequate evidence; but that does not mean that the loss was not established. The chief criterion on such occasions should be: whether the claim itself was genuine and whether the assessee concerned had suffered the loss claimed by him. When the fact of the loss is, *prima facie* established, the relief should not be denied on the technical ground that the prosecution for theft or embezzlement had not resulted in a conviction.

Moreover, the Central Board in their Circular of the 17th August had referred to the judgment in the English case of *Curtis* v. *J. & G. Oldfield Limited*, IX U.K., T.C. 330, for the guidance of Income-tax Officers in dealing with this matter. It is pertinent to point out that in the relevant portion of the judgment, Justice Rowlatt specifically mentions that "*if owing to the negligence or the dishonesty of the subordinates*, some of the receipts do not find their way into the till, or some of the bills are not collected at all . . . that may be an expense connected with and arising out of the trade in the most complete sense." It was, therefore, intended that losses arising out of negligence of employees should also be deemed to be an expense incidental to the business.

My Committee are inclined to think that in the particular case under discussion, the spirit of the instructions issued by the Board regarding allowance for loss by theft or embezzlement has not been fully appreciated and followed by the Income-tax Officer concerned and that on a full review of the facts of and circumstances connected with the case, the assessee concerned is reasonably entitled to the amount being allowed as deduction for purposes of his assessment. Otherwise, the position would result in a grave injustice inasmuch as over and above the loss already incurred, the assessee would be called upon to pay substantial amounts by way of tax on the quantum of income represented by the loss.

Arising out of this, my Committee would also like to urge on the Board the desirability or revising the instructions so as to include, beyond chances of doubt, such cases for purposes of the relief and so as to cover negligence by employees by specific mention.

In short, losses arising out of theft, embezzlement or negligence by employees, wherever *prima facie* established, should be deemed to be an admissible deduction for purposes of taxation.

APPENDIX 58

E.P.T. Rules Re-Computation of Capital

Letter dated 2nd December 1943 from Chamber to Central Board of Revenue, New Delhi.

Under the existing rules and procedure in arriving at the amount of capital employed in business in the standard period, depreciation is to be calculated on the written-down value on the basis of the rates in force then, i.e. before they were revised consequent upon the introduction of the written-down value system. These rates were considerably less than those in force after the revision. For the purpose of computation of profits during the standard period the new rates, however, are adopted. This basis has brought about, on the one hand, an artificial increase in the amount of the capital employed in the standard period and on the other an artificial decrease in the amount of

the profit in the standard period. The standard profits are reduced by the higher rate of depreciation and if the same rate is made applicable so far as capital computation is concerned, the standard capital would also be computed at a lower figure. In the result, in the chargeable accounting period, the amount of the increase of capital employed in business is computed with reference to the higher figure of capital for the standard period ascertained on the basis of the application of the old rates of depreciation and consequently excess of profits liable for taxation in the chargeable accounting period is shown up at a higher figure. The point may be explained by an illustration :—

In the case of a company with a capital of Rs. 50,00,000, if depreciation is calculated on the basis of the old rates, the capital would be :

	Rs 50,00,000
Less depreciation at 5%	,, 2,50,000
	Rs. 47,50,000

If the new rates are applied the capital would be :

	Rs. 50,00,000
Less depreciation	,, 3,50,000
	Rs. 46,50,000

For the purpose of computing standard profits the new rates are adopted, i.e. the profits are reduced by Rs. 3,50,000 instead of by Rs. 2,50,000; for the purpose of capital employed during the standard period it is computed at Rs. 47,50,000 instead of at Rs. 46,50,000 thereby depriving the tax-payer of an increase in the standard period's profit which is computed on the difference between the capital during the standard period and the capital during the chargeable accounting period. The small the capital during the standard period, the greater is the increase in capital. It is, therefore, necessary that the Board should issue instructions to alter the basis of the computation of capital during the standard period by adopting the new rates of depreciation instead of the old rates. Unless this is

done the tax-payer will be penalized by having to pay tax, not on real excess of profits, but on an artificial increase due to the disparity in the rates of depreciation as above.

APPENDIX 59

E.P.T. Ordinance, 1943 and Control of Capital Issues

Letter No. 1717 dated 10th June 1943 from Chamber to Finance Department, Government of India.

The Committee of the Indian Merchants' Chamber have considered the Excess Profits Tax Ordinance, 1943, recently promulgated by His Excellency the Viceroy, to make certain provisions in connection with the tax on Excess Profits. The Budget session of the Central Legislative Assembly is only recently over, and if the Government of India felt that they wanted funds for meeting the financial emergency arising on account of the war they should have placed all the facts before the Legislative Assembly, even by prolonging its session, or they should have placed all these facts before another session of the Assembly which, it is announced, will take place in the last week of July next. It has, unfortunately, become a system nowadays to carry on administration, my Committee may say even day-to-day administration of the country, by ordinances; but it is, surely, carrying it too far when Ordinances are promulgated for adding to or amending taxation measures. Such a system and procedure are fundamentally and inherently wrong; and my Committee beg to protest strongly against financial measures being carried out by an Ordinance or Ordinances. Subject to this fundamental opposition of my Committee to such method of collection of funds by Ordinances, they would like to make the following observations on the provisions of the said Ordinance, and the amendments made in the Defence of India Rules.

My Committee have, in the past, made repeated complaints about the delays and vagaries of the Income-tax Department in relation to assessment and recovery of income-tax, super-tax and excess profits tax. They have also protested against underestimation of the Budget about the revenue which may be realized from these taxes. If Government had made improvements

in the administrative machinery for assessment and collection of the revenue, as suggested by several commercial organizations in the country, there would not have been so much arrears of Rs. 100 crores of Excess Profits Tax, as estimated by the Finance Department. My Committee still feel that immediate steps should be taken to radically improve the administrative machinery for the above purposes, so that unnecessary harassment and annoyance to the assessees involved in the procedure for provisional assessment may be avoided.

The procedure provided for provisional assessment under the new Section 14-A is likely to prejudicially affect the interest of the assessees in general. It is common knowledge that many assessees have made applications to the Board of Referees under Section 6 (3) of the Excess Profits Tax Act and also to the Central Board of Revenue under Section 26 of the Act for granting to them higher standard profits on account of peculiar circumstances. It seems that the provisional assessment will be made under the new Section 14-A of the Act on the basis of the standard profits as ascertained under the provisions of the said Act, without taking into consideration the pending applications before the Board of Referees and the Central Board of Revenue. My Committee, therefore, suggest that, in making the assessments under Section 14-A, the assessees should be assessed on the basis of standard profits claimed by them in their applications either to the Board of Referees or the Central Board of Revenue. They would also suggest that, after the provisional assessment is made under Section 14-A, only 80 per cent of the total amount of the provisional assessment should be recovered from the assessee, and the balance of 20 per cent should become payable only after the final assessment is made. This suggestion is made by my Committee, in view of the fact that most of the assessees, if not all, may not have sufficient funds to pay the full amount of such provisional assessment. In view of the fact that the provisional assessment may refer to many chargeable accounting periods in case of several assessees, my Committee feel that it is only reasonable that their suggestion for recovering 80 per cent of such assessment should be accepted without hesitation, so that the assessees may have breathing time for payment and the chances of resorting to borrowings for the purpose may be minimized

as far as possible. In this connection, my Committee would like to point out that at the time when the Excess Profits Tax Bill was being discussed, the Honourable the Finance Member gave an assurance, on the floor of the House, that, in view of the fact that assessees might have to pay very large sums by way of Excess Profits Tax, they would be given the facility of making payment by reasonable instalments. My Committee hope and trust that similar facilities will be given to the assessees for payment of 80 per cent of such provisional assessment by instalments if desired by them. My Committee, however, want to be assured that final assessments under the Excess Profits Tax Act will not be delayed by reason of Government having collected a large amout from the assessees under the procedure for provisional assessment under the Ordinance, as they do not consider the provision of 5 per cent interest made in the Ordinance for refund of excess collections as an adequate safeguard. To safeguard the position of the assessees, my Committee would suggest that a clause should be inserted in Section 14-A, providing that the Excess Profits Tax Officer shall, on service on him by an assessee of one month's previous notice, make assessment under the said Section for any chargeable accounting period, and in case such assessment results in a deficiency, the assessee shall be entitled to a refund of Excess Profits Tax already paid by him to the extent of such deficiency.

In sub-section (2) of Section 14, the period of 14 days should be extended to at least six weeks, as the period of 14 days is much too short. In sub-section (3) the period of one month shall be substituted by a period of two months.

Before the above Ordinance was promulgated, under Section 10 of the Finance Act, 1942, an assessee was entitled to make a voluntary deposit of 20 per cent of the amount of Excess Profits Tax, which deposit was made refundable to him on the expiry of 12 months after the termination of the hostilities, with interest at 2 per cent, and in addition thereto he was entitled to be paid 1/10th of the amount of the Excess Profits Tax. Under the Ordinance, the voluntary deposit is made compulsory on all assessees. My Committee, while they are strongly opposed to the system of compulsory deposits, feel that the provision for compulsory deposit by all assessees will

not only seriously affect their financial resources but may also compel some of them to resort to the necessity of borrowing to fulfil their obligations. Moreover, the principle of compulsory deposit will work as a great hardship, particularly, on individuals and firms, as will be clear from the illustration given below :—

			Rs.
Income in Chargeable Accounting Period		...	4,50,000
Standard Period Profits	...	...	3,60,000
		Excess Rs.	90,000
Excess Profits Tax	...	...	60,000
Deposit	...	...	12,000
			72,000
Income	...	...	4,50,000
Less: Excess Profits Tax	...	...	60,000
			3,90,000
Excess	...	...	90,000
Less: Excess Profits Tax	...	...	60,000
			30,000
Income-tax on Rs. 30,000 @ 50 pies		...	7,812
Super-tax on Rs. 30,000 @ 108 pies		...	16,875
			24,687
Excess	...	...	90,000
Excess Profits Tax	...	... Rs. 60,000	
Deposit	...	... „ 12,000	
Income-tax and Super-tax on Excess		... „ 24,600	
			96,600
		Deficit Rs.	6,600

From the above illustration, it will be clear that the assessee in this particular case will have to carry a deficit of over Rs. 6,000 out of his standard profits. It seems that Government have lost sight of the fact that, in roping in individuals and firms, they have not taken into account the fact that individuals and firms will have to pay super-tax at a higher rate on the slab system, while public Joint-Stock Companies will have to pay only a flat Corporation Tax at the rate of two annas in the rupee.

The provision relating to compulsory deposits will also affect private limited companies much more adversely than public Joint-Stock Companies in view of the fact that under Section 23-A of the Indian Income-tax Act private limited companies are bound to declare dividend to the extent of not less than 60% of their assessable income and in estimating such assessable income the amount of the compulsory deposit will be included. The position is illustrated in the following example :—

	Rs.
Profit during the Chargeable Accounting Period ...	10,00,000
Standard Period Profits	1,00,000
Excess Profits Rs.	9,00,000
Out of the total of Rs. 10,00,000 the amount which will be required to be paid out would be :—	
Excess Profits Tax at 66.2/3% on Rs. 9,00,000 ...	6,00,000
Compulsory deposit at 20% of Rs. 6,00,000 ...	1,20,000
Income-tax and Super-tax on Rs. 4,00,000 (i.e. 10,00,000 minus 6,00,000)	1,54,166
Dividend at 60% under Section 23-A	1,47,500
Rs.	10,21,666

Hence, the assessee in such a case will be called upon to contribute deposit not out of profit but out of capital.

If Government, however, decide to insist upon compulsory deposit being made under the Ordinance, my Committee strongly recommend that at all events such deposits in the case of individuals and firms and private limited companies should be only voluntary. They consider that it should be a condition precedent that such deposits should be treated as part of the capital employed in the business under Schedule II of the Excess Profits Tax Act, and suggest that a specific provision should be made in the Rules in that behalf.

My Committee, however, are glad to note from the notification issued by Government that the amount of compulsory deposits will be required to be paid only after the final assessment is made.

Bonuses and Commissions :

It appears from the Ordinance that Government want to make rules for determining the extent to which deductions

shall be allowed in respect of bonuses or commissions paid. In this connection, my Committee beg to point out that under Section 10(2) of the Income-tax Act, certain principles are laid down for allowing amounts paid to employees as bonus or commission, as expenditure solely incurred for the purpose of business. They feel that the principles laid down in the said Section are a sufficient safeguard against an assessee making unfair use of his power to give bonuses and commissions to any unreasonable extent. They also feel that different conditions apply to different kinds of businesses and trades, and it will not, therefore, be possible for Government to frame any definite set of rules or to fix any definite percentage for such bonuses and commission. They are of opinion that under the section, the Income-tax Officer is vested with discretion in allowing bonus and commission paid by an assessee within reasonable limits. My Committee are, therefore, opposed to any further interference on the part of Government in this regard.

Once again, my Committee are compelled to record their emphatic protest against the retrospective operation of the Ordinances promulgated by the Governor-General. In the case of this particular Ordinance, it is all the more pernicious, as it discriminates between two classes of assessees, who have different accounting periods, and provides that all assessees whose accounting period closes after 31st December 1942 are subjected to the rather stringent provisions of the Ordinance, and the result is that some assessees are not subject to the provisions of the Ordinance except for the chargeable accounting period commencing on 1st January 1943. My Committee, therefore, suggest that the provisions of the Ordinance should only operate for all chargeable accounting periods commencing on or after 1st April 1943.

Coming to Section 5 of the Ordinance, the Central Government propose to take powers to make rules for the purpose of the new Rule the principles to be followed in leaving out of account trading stock and stocks of raw materials. My Committee apprehend that this is a very dangerous power, which Government propose to take in their hands. In the first place, it is very difficult to define the expression " trading stock ", and it may be that certain rules may be made governing the

proportion of trading stock, which may, ultimately, have the effect of giving a serious blow to the trades and industries concerned. My Committee are, therefore, definitely opposed to any interference by Government with regard to trading stocks, as also stocks of raw materials. In ordinary peaceful times, every trade and industry which would pride itself on being far-sighted, would take care to lay by such stocks as they may consider necessary in their own judgment. The ups and downs in the trades and industries witnessed as a result of the war factors have made it more necessary that trades and industries should have certain stocks laid by. They doubt even now if the trades and industries concerned will be in a position to lay by sufficient stocks for any long periods, after they have paid off the Excess Profits Tax and made the compulsory deposits. If, as Government feel, there is certain loss in taxation revenue, on account of accumulation of stocks, they should realize and appreciate that the profits from such stocks ultimately made by the trades and industries will go to them and thus make up for the loss,if any, originally sustained. It must be remembered that, while all the trades and industries have to carry a certain stock, certain trades and industries, on account of the present abnormal times, have to carry an additional stock even for their very existence. Moreover, during the present difficult times, trades and industries have necessarily to safeguard their position by carrying an adequately large stocks of raw materials as otherwise, for reasons over which they have no control, they might experience difficulties in their normal working. Price fluctuations have also to be guarded against by building up timely stocks. There is also no guarantee of securing the necessary transport facilities at all times of the year. It may further be pointed out that oftentimes contracts are entered into for forward sales and such sales should necessarily be covered by building up stocks whenever it is convenient to do so. On many occasions contracts for such forward sales are entered into for the requirements of the military and Government should not put difficulties in the way of the fulfilment of such contracts by restrictions on stocks. Any talk, therefore, about interfering with such stocks is to be much deprecated in the interests of the general progress of the country. There would also be difficulty in trying to interfere with

trading stock. As already remarked above, it is very difficult to define and distinguish what are trading stocks. From what my Committee, however, understand about trading stock, it is not possible to lay down any limits with regard to the holding of trading stock, and it must, therefore, be left to the particular trades and industries concerned, looking to their own interests and the condition of the country, to decide what trading stocks should be held and when they should be disposed of.

Control of Capital Issues :

My Committee very strongly protest against the adoption of such a principle (and that by merely an additional Rule 94-A in the Defence of India Rules) of interference with the flow of capital in business enterprises. They are convinced that it will not be possible for Government to administer the abnormal and extraordinary powers which they are now seeking, without arbitrary and erratic action and discrimination. The provisions of this arbitrary rule will seriously interfere with business programmes throughout the country in various stages of formation. My Committee regret that there is nothing in the Press *communique* issued by Government on the subject to reassure the public that normal and healthy activities and normal and healthy growth of Joint-Stock enterprise will not be checked. The proposal for the Departmental Committee, which will scrutinize applications is most misleading and will be altogether ineffective to secure correct results amongst other things because of the studied omission of association of *non-official Indian businessmen* with it. Not only, therefore, is the principle of the new rule most objectionable, but the procedure outlined is also highly unsatisfactory. If Government had any special object in issuing such an Ordinance, the public are entitled to know, more explicitly than is put in the Press *communique*, what such an object was.

My Committee have seen criticisms of some of the recent floatations of banking and other financial corporations, and they do not disagree that, in some of these cases, consideration of soundness was subordinated to personal considerations, on the part of the promoters. The recent proposals of the Reserve Bank of India are from this point of view, a step in the right direction, and if Government propose through the same channel

to exercise greater scrutiny and control before the promotion takes place of such banks and financial corporations, my Committee would not object. But any check on the flow of capital in industrial or other enterprises (calculated, in some cases, to increase production), must be strongly condemned, both in principle and in practice. The reactions to any such check on the business community would be serious, and Government's own object, whatever it is, is bound to be defeated. It is extraordinary that Government should have proposed restrictions on the expansion of capital of existing institutions and of private limited companies and of the issue of bonus shares. Are we to suppose that Government had some other object than to check the inflation? Stopping the flow of capital into new enterprises would have the effect of sending free funds to the purchase of consumable goods in the black markets. The business community has generally attempted to carry out, both in spirit and letter, the provisions of the law of the land governing business. My Committee do not understand what feelings Government desire to arouse in persons connected with Joint-Stock enterprises in India by providing for a savage punishment of five years' imprisonment for a breach of any of the arbitrary, unusual and vague provisions of this new rule.

My Committee fear that Government have rushed into action without seriously considering the full effects of what they are proposing to do. The wording of several sections of the Rule is loose, misleading and capable of more than one meaning. Some of the provisions are so bad that they terrorize *bona fide* and innocent investors, whose only fault is, that they are seeking to put their moneys in shares of Joint-Stock companies. Illustrating this point, my Committee would like to ask: Why do Government desire to penalize the British Indian investor or holder of shares in companies other than those registered in British India by preventing him from acquiring at favourable prices shares issued by new companies outside British India including Indian States or even by old companies of which he is already a shareholder? In the case of existing companies, will not this action amount to an expropriation of the rights of the British Indian shareholders where shares are issued by foreign companies, including companies registered in Indian States, and offered to such shareholders?

The expression " make an issue of capital " is delightfully vague and does not indicate clearly at what stage or point in the floatation of a Joint-Stock company the businessmen concerned are transgressing the new law.

In conclusion, my Committee hope that the draft rules under the Ordinance will be circulated for eliciting commercial opinion, and that the same would not be finally framed before commercial organizations have had an opportunity of examining them and offering their views.

APPENDIX 60

Section 34—Provision for Relief in Over-assessment

Letter No. 3139 dated 2nd December 1943 from Chamber to Central Board of Revenue, New Delhi.

Section 34 of the Indian Income-tax Act provides that the Department may proceed to assess or re-assess any income, profits or gains chargeable to Income-tax which have been assessed at too low a rate or which have escaped assessment in any year or have been under-assessed. If there is any over-assessment, however, the Act has not provided for the grant of the necessary relief, if steps are not taken to rectify the same within the period provided for appeal. While the Department can proceed to rectify an earlier assessment within a period of four years, the assessee has no special right whereby obvious over-assessment can be revised except under the limited provisions in regard to appeals against assessment. The above position is neither fair nor equitable. Government should not retain any collections by way of tax which are subsequently found to be not justifiably accruing to the state. It is, therefore, necessary to make a provision whereby the assessee would have the right of demanding a re-assessment on occasions when it is subsequently discovered that there has been obvious over-assessment. It is hoped that the Board will be pleased to consider the point and take necessary steps to remove the lacuna.

Letter No. D.A.Dis. 4|22T.T. dated 17th December 1943 from Central Board of Revenue, to Chamber.

In reply to your letter No. 3139 dated the 2nd December 1943, I am directed to say that it does not appear to the Board

that any lacuna in the law exists since apart from the provision for appeals provided in the Indian Income-tax Act, Sections 33-A and 35 afford adequate safeguards to the assessee for rectification of accounts should any relief be due.

APPENDIX 61

Section 16(3) of the Indian Income-tax Act—Income of a Wife

Letter No. 3136 dated 2nd December 1943 from Chamber to Central Board of Revenue, New Delhi.

Under Section 16(3) it is provided that in computing the total income of any individual for purposes of assessment there shall be included so much of the income of the wife of such individual as arises directly or indirectly from the membership of the wife in the firm of which the husband is a partner. The attention of my Committee has, however, been drawn to the fact that where in a particular year the partnership results in a loss the share of the loss on account of the wife cannot be availed of by the husband for purposes of reducing his total income liable for taxation. It is obviously anomalous that while the Revenue claims tax on occasion of profit, the same procedure is not allowed to be followed in reducing the aggregate tax liability when there is a loss in the particular business. The word "income" in the section should be deemed to cover "loss" also. My Committee request that the Board will be pleased to consider the above point and issue the necessary instructions to remove the anomaly.

Letter No. D.Dis. 4(25)I.T. dated 31st December 1943 from Central Board of Revenue to Chamber.

In reply to your letter No. 3136 dated the 2nd December 1943, I am directed to say that there appears to be no anomaly in Section 16(3) of the Indian Income-tax Act, 1922. Under that Section it is only the positive income of the wife which is to be included in the husband's total income and the husband is not to be regarded or even deemed to be the assessee in respect of such income. In so far as the losses, or previous losses if any, suffered by the wife are concerned she is entitled

to have them first set-off against her income as provided under Section 24 of the Act before her share of income is included in her husband's income.

APPENDIX 62

E.P.T. Act—Allowance of Borrowed Capital

Letter No. 3111 dated 29th November 1943 from Chamber to Central Board of Revenue, New Delhi.

Under rule 5 of Schedule I, it is provided that, if at any time after the close of the standard period selected by the assessee an increase in the capital employed in a business had been effected by means of a loan, the amount of such loan shall not be deducted in computing capital. The effect is the assessee obtains allowance of the statutory percentage upon such borrowed capital, less interest actually paid thereon. It may, in this connection, be recalled that my Committee had drawn the attention of the Central Board of Revenue in the year 1941 to the anomalous position that a strict construction of the condition in rule 5 would preclude the grant of the relief in the case of assessees, to whom none of the optional standard periods provided by sub-section (2) of Section 6 are available. The position was, however, set right by instructions issued by the Board to the following effect :—

> 'On a strictly literal reading of the provisions of Rule 5 of Schedule I it is possible to argue that it excludes form its operation the case of newly started business to which none of the optional standard periods provided by sub-section (2) of Section 6 are available. Such differentiation between old and new concerns is, however, clearly unfair. The Rule should, therefore, be applied to the case of all new concerns which have no standard period and for this purpose the *entire* borrowings effected by means of loans from a bank carrying on a *bona fide* banking business, or by means of a public issue of debentures should be treated as capital of the business within the meaning of Rule 5.'

It was felt that the above instructions would meet the requirements of the situation, and that the relief would be available to all assessees.

The attention of my Committee has however, been drawn to the fact that the Department is seeking to make a distinction between a business which commenced after the 1st April 1936 but before the 1st September 1939 and one which commenced after the 1st April 1939. Some of the assessees, who started business after 1st April 1936 may have standard periods under the Act, but they might have exercised the option of a capital standard, it being more favourable. In such cases, borrowed capital is not taken into account in computing the capital in the Chargeable Accounting Period. My Committee strongly feel that there is no justification for the above distinction, and that the relief should be extended in the case of all newly started business, which, although they had standard periods under the Act, had exercised the option of capital standard, if not to the full extent, at least to the extent of the increase in the loan since the close of the standard period. In this connection, the attention of the Board is drawn to an article in *Commerce*, dated the 20th November 1943, page 706, where the above anomaly is discussed in detail.

It is hoped that the Board will be pleased to issue necessary instructions with a view to removing the above distinction.

Letter No. C. No. 8(49)E.P. dated 12th January 1944 *from Central Board of Revenue to Chamber.*

With reference to your letter dated the 29th November 1943, I am directed to inform you that in view of the words in Rule 5 Schedule I "At any time after the close of the standard period" the application of Rule 5 Schedule I was concessionally extended to new businesses having no standard period, as otherwise the Rule could not apply at all in such cases. In the case, however, of a business, commenced after the 31st March 1936 where the assessee *has* the choice of a standard period so that there is nothing to prevent the application of the provisions of the Rule except the assessee's choice of the percentage standard the Board is not prepared to extend the concession.

APPENDIX 63

Cochin State E.P.T. Act & Income accruing in British India

Letter, No. 567 dated 19th February 1943 from Chamber to Central Board of Revenue, New Delhi.

My Committee are informed that under the existing provision of the E.P.T. Act obtaining in Cochin State, the income accruing to a resident in that State in British India is also taken into account in arriving at the income for purposes of assessment. The taxation, therefore, is on the accrual basis and a resident is made liable for his foreign income also.

In this connection, it may be pointed out that in British India also till December 1941, the same basis was in force; but under the E.P.T. second Amendment Act of 1941, income accruing in an Indian State to a resident in British India was totally exempted from liability to Excess Profits Tax in British India. In respect of Income-tax also such foreign income was exempted from taxation, although it was provided that the same should be taken into account in computing the total income for determining the rate of tax. The amendments in question were necessitated by complications likely to arise consequent upon the adoption by Indian States of the accrual basis in its entirety in their tax systems. It was also expected that reciprocally, Indian States which had already passed legislation embodying the accrual basis in their Income-tax or Excess Profits Tax laws would make corresponding changes, so as to relieve residents in their State territories from liability to State taxation in respect of income accruing in British India.

It, however, transpires that no such action has been taken so far as the Cochin State is concerned, and under the existing provisions of the State law, a resident in that State is made liable both to the Cochin E. P. Tax and the British India E. P. Tax in respect of income accruing to him in British India. The same difficulty is likely to arise in respect of other Indian States also. My Committee, therefore, request that Government will be pleased to take up the point with the Cochin State Government and the Governments of other Indian States concerned where the difficulty arises, with a view to the modification of the accrual basis of taxation under their State laws on lines similar to those adopted in the Indian Income-tax and E.P.T. Acts, as amended in 1941.

APPENDIX 64

E.P.T.—Set off of Deficiency

Letter No. 1297 dated 22nd April 1943 from Chamber to Central Board of Revenue, New Delhi.

I am directed to refer to the correspondence ending with your letter No. C. 8(37)-E.P./42, dated the 26th September 1942, on the question of the application of the provisions of Section 7 of the Excess Profits Tax Act relating to set-off of deficiencies. It has since been pointed out to my Committee that the relief envisaged under the instructions does not extend to all types of cases covered by the corresponding instructions as obtained in the United Kingdom. Under the English E.P.T. Act, the relief is obtainable in cases where there is a change or a partial change in the ownership of a trade or business as a result of a gift, or under the terms of a Will or from an intestacy, and the business thereby passes to the wife, husband, ancestor or lineal descendant of the previous owner. In all such cases, the Revenue ignore the change in ownership completely and grant the deficiency relief contemplated under the Act. Under all such circumstances, any deficiencies incurred during the previous ownership can be carried forward and set-off against the profits of the new owner. A reference, in this connection, is invited to the issue of the " Accountant " Tax Supplement, dated the 12th September 1942, page 223.

My Committee submit that similar instructions should also be issued here, so that such changes in favour of family members, without consideration, will not be deemed to be a change in partnership for purposes of the relief in question.

Letter No. 8(37)E.P.42 dated 10th May 1943 from Central Board of Revenue to Chamber.

In reply to your leter No. 1297, dated the 22nd April 1943, I am directed to say that the Board does not consider it necessary to issue general instructions on the point raised therein. If, however, a specific case arises the matter will receive due attention if the circumstances are communicated to the Board.

APPENDIX 65

Non-acceptance of Policies of Indian Insurance Companies

Letter No. 1059 dated 2nd April 1943 from Chamber to the Chairman, Eastern Exchange Banks' Association, London.

I duly received your letter of the 11th January in reply to this office letter of the 18th December 1942, on the question of acceptance by Exchange Banks here of policies issued by Indian Insurance companies. Your cablegram of the 8th January 1943 was also conveyed to me by the Chairman of the Exchange Banks' Association, Bombay.

My Committee have considered the position in the light of the observations made in your letter under reply. While they are indeed thankful to you for the sympathetic interest which you are taking in the matter, they must confess that in the ultimate analysis, the procedure which you propose will not, in its results, remove the injustice so far as Indian Insurance companies are concerned. You mention that in future the members of the British Bankers' Association, London, would secure from their clients a more clear indication of the stipulation in the letters of credit regarding insurance by specific mention of the country of origin, thereby avoiding chances of any dispute on that score. Such a procedure might remove the ambiguity so far as Exchange Banks are concerned, and relieve them of the charge of discriminating against companies of particular countries. My Committee, however, are afraid that so far as Indian Insurance companies are concerned, the purpose they had in view in raising this matter might not be served by any such procedure as, in the very process of asking for specific instructions regarding insurance, British registered Insurance companies particularly will come to be more prominently and specifically substituted.

It may, in this connection, be mentioned that with the growth and development on healthy lines of Indian Insurance companies in recent years, they have been for some time past able to secure a fairer share of the business particularly in relation to the export cargo from this country. They, naturally, view with concern any development which will have the result of putting artificial restrictions in their sphere of activities

thereby hampering their further progress. After all, the Exchange Banks in this country are allowed every freedom in relation to their business activities and it is upto them, if for no other reason, as an act of reciprocal courtesy, to accord and secure full recognition of Indian Insurance companies and facilitate their business operations.

In short, my Committee strongly feel that the recent developments in this regard should be ignored and the practice previously followed of accepting Indian policies, even where insurance with British companies is specifically stipulated, should be continued without any qualification. In the past, Indian companies were, for the purpose of such instructions, deemed as British companies, and there is no reason why this practice should be sought to be varied. The ruling given by the British Bankers' Association to the effect that British companies meant companies whose Head Offices were domiciled within the United Kingdom should be deemed to have been withdrawn and the *status quo ante* sholud be restored. It is hoped that your Association will be good enough to move in that direction and to bring about a change in the position accordingly.

Letter dated 12th May 1943 from the Chairman, Eastern Exchange Banks' Association, London to Chamber.

I am in receipt of your letter dated the 2nd April in reply to mine of 11th January on the question of the recent ruling by the British Bankers' Association regarding the definition of Insurance Policies to be accepted under Credits opened by the United Kingdom banks.

In my letter of 11th January, I advised you that, in actual practice in the past, Credits claused " Insurance by British Companies only " formed only a very trifling proportion of Credits opened by United Kingdom banks and there is no evidence that the practice is extending. These, therefore, are the only Credits affected by the ruling of the British Bankers' Association.

If, however, you still feel that it is desirable to safeguard your interests, it would appear that the remedy can best be found by the Indian exporters stipulating, when their buyers establish Credits covering the relative shipments, that the terms

of the Credit should permit the negotiating bank to accept the policies of Indian Insurance companies.

The Exchange Banks have already done all they can in the interests of the Indian Insurance companies, but the British Bankers' Association ruling stands, and if the Exchange Banks were to disregard this ruling and accept Indian policies, where insurance with British companies is specifically called for, it would not be in the interests of the drawers of Bills under such Credits for them to do so, as such action on their part would only result in acceptance and/or payment of the relative bills being refused, with all the attendant trouble and expense.

If the Indian exporters adopt our suggestion, I feel sure that neither they nor the Indian Insurance companies will have any cause for complaint.

APPENDIX 66

Banks Acting as Trustees under Section 27(4) of the Indian Insurance Act Re Investment of Life Assurance Funds of Foreign Insurance Companies doing Business in India.

Letter No. 1461 dated 13th May 1943 from Chamber to Superintendent of Insurance, Government of India, Simla.

Under Section 27(4) of the Indian Insurance Act, it is provided that in the case of foreign Insurance companies, amounts in respect of Life Funds and other liabilities to Policy-holders in India shall be vested in Trustees approved by the Central Government. The attention of my Commmittee has been drawn to the fact that, so far, only the following four Banks have been approved for the purpose by your Department:

(1) The Imperial Bank of India;
(2) The National Bank of India;
(3) The Hongkong & Shanghai Banking Corporation and
(4) The Chartered Bank of India, Australia & China.

With the exception of the Imperial Bank, there is thus no other Indian Bank which has been approved in this regard. There are a number of banks registered in this country, well established and with good resources, which could be safely entrusted with

the work. My Committee suggest that all the Scheduled Banks in the country should be deemed eligible for acting as Trustees and should be recognized for the purpose.

It is hoped that Government will be pleased to accept the above suggestion and issue the necessary Notification accordingly.

Letter No. 03727-1|43 dated 31st May 1943 from Superintendent of Insurance, Government of India, Simla to Chamber.

With reference to your letter No. 1461, dated the 18th May 1943, I have to say that a bank is considered by the Central Government for approval for the purposes of acting as a trustee under Section 27(4) of the Insurance Act, 1938, only when such bank is suggested by the insurer after obtaining the bank's consent to act as such trustee, generally in terms of a standard trust deed prepared by Government, though subject to modifications in detail to suit individual cases with the consent of Government. It is open to the insurers concerned to propose any sound bank for the purpose. The four banks referred to by you have been approved only on the application of certain insurers and recently, the Central Bank Executor and Trustee Company has been approved similarly.

2. It will be appreciated, therefore, that the matter is not one of according general approval under Section 27(4) of the Insurance Act to a certain category of banks, but of considering each bank individually at the request of an insurer concerned.

APPENDIX 67

Sickness Insurance

Letter No. 3345 dated 22nd April 1943 from Commission of Labour, Government of Bombay to Chamber.

I have the honour to enclose herewith a copy of the questionnaire on sickness insurance prepared by Prof. B. P. Adarkar, Officer on Special Duty, Sickness Insurance, and to request you to send a reply to it, direct so as to reach him not later than the 15th of May 1943. The Government of India has

entrusted Prof. Adarkar with the preparation of a rough scheme of Sickness Insurance, and it is hoped that you will extend your assistance.

QUESTIONNAIRE

Sickness Insurance

[N.B.—Replies to this questionnaire, including memoranda, if any, may be addressed to B. P. Adarkar, Esq., M.A., (Cantab.), Officer on Special Duty, Sickness Insurance, Government of India, Department of Labour, Council Hall, Bombay, (1), so as to reach him not later than the 15th of May 1943.]

1. *Worker's Eligibility to Contribute* :

Under what circumstances should the worker be made to contribute or have the right to contribute? In this connection, consider the following types of workers and other points: (i) perennial workers, (ii) principally industrial but subsidiary agricultural, (iii) seasonally industrial, (iv) *Badli* or substitute worker, (v) temporarily unemployed, (vi) sick, (vii) invalid, (viii) absent on leave, with or without pay, (ix) resigned or dismissed, (x) transferred, (xi) manual or non-manual, (xii) apprentices, (xiii) during strikes and lock-outs, (xiv) income limit, upper and lower, if any, (xv) age limits, upper and lower, if any.

2. *Eligibility to receive Benefits* :

Who will be eligible to receive benefits? In the event of the insured's death, should the survivors be entitled to receive any refund or gratuity? If any worker withdraws from the Fund for any reason, should he be entitled to any refund?

3. *Contributions* :

What should be the contributions of (*a*) Employers, and (*b*) Workers, respectively? Should the rates be flat, or graded? Or should they be on a percentage basis being related to the wages of the workers. Should there be two separate classes of workers under (*a*) contributing, and (*b*) non-contributing? In that case, what should be the contribution of the Employers for the two classes? What should be the method and agency for collection of the contributions?

4. *Cash Benefits*:

What should be the extent and duration of cash benefits? Should they be flat or graded or based upon a percentage of the wages?

5. *Medical Benefits*:

What should be the extent, nature, and duration of the medical benefits? Should such benefits be also provided for the dependants of the insured?

6. *Conditions for receiving Benefits*:

For receiving the cash and medical benefits, what should be (*a*) the qualifying period, (*b*) the waiting period, (*c*) residential and other restrictions, if any? What should be the kinds of illnesses covered? Should incapacity or illnesses arising out of accidents or industrial diseases be covered for medical benefits?

7. *Machinery for Medical Benefits*:

What should be the machinery for extending medical benefits to the workers? Do you favour a "Panel System" or any other system of contracts between the Insurance Institution and medical associations or individual medical practitioners? Or, would you prefer a whole-time or part-time Medical Service, specially created for the purpose? In either case, who should be the controlling authority for the medical machinery erected?

8. *Maternity Benefits*:

Would you like Maternity Benefit to be brought under Sickness Insurance? If so, state your reasons. What will be the approximate financial liability of this to the Fund? In the event of Maternity Benefit being included under the Scheme, should the benefit be made available to (*a*) the insured person's wife, or only to (*b*) the female worker, married or unmarried?

9. *Funeral Benefits*:

Are you in favour of giving a Funeral Benefit to the family in the event of the insured's death? If so, what, in your opinion, should be the extent and nature of such benefit? What will be the approximate liability of this benefit to the Fund?

10. *Malingering and Collusion*:

What are the possibilities of Malingering? How would you provide against them? What are the possibilities of Collusion between doctor and worker, or between employer and worker, or between employer and doctor? What steps would you suggest for preventing any leakages from the Fund on this account?

11. *Financial Organization*:

Should there be separate Funds for each industry? What other features would you suggest for the financial machinery to be erected?

12. *Administrative Machinery*:

What should be the machinery of administration? Should the benefits and contributions be administered through (*a*) Local Bodies, (*b*) Trade Unions, (*c*) Special bodies, created for this purpose, or (*d*) any other bodies?

13. *Sickness Incidence among Workers*:

Have you collected any figures showing the incidence of sickness among industrial workers for any group or town, or factory? What, do you think, could be regarded as a safe figure for the average number of days of sickness to which the industrial worker in your group, etc. is liable?

14. *Workmen's Compensation*:

What are the possibilities, if any, of the Scheme overlapping with the provisions of the Workmen's Compensation Act, especially in regard to industrial diseases?

15. *Settlement of Disputes*:

What should be the machinery for settlement of disputes arising between the Fund and the workers, or the Fund and the employers or doctors and workers, etc.?

Letter No. 1708 dated 9th June 1943 from Chamber to B. P. Adarker, Esq., Officer on Special Duty, Sickness Insurance, Govt. of India.

The Commissioner of Labour, Bombay, has forwarded to my Committee a copy of the Questionnaire issued by you on the subject of Sickness Insurance, requesting them to send

their views and replies direct to you. They feel, however, that the Questionnaire could be more appropriately answered by organizations directly representing employers and, therefore, would in this connection, confine themselves to a statement of their views on certain general issues arising out of the matter.

At the outset, my Committee would like to point out that the present emergent times are not at all suitable for enacting measures designed to ameliorate working conditions of the labourers and to secure to them increased amenities. Conditions obtaining during the war are, if they may say so, of an abnormal character and measures which are, more or less, of a permanent nature should be discussed and considered in normal times with reference to the condition of industries in such times. It must be recognized that a good part of the cost and expenses involved in any such social measures will have to be borne by the industries concerned and it is, therefore, a factor of fundamental importance that the financial aspects of all such schemes should be adjusted to the capacity of the industries concerned to pay. The present temporary state of affairs, particularly in the matter of profits made by industries, should not be taken as the background for coming to any conclusion that industries, generally, are prosperous and that, therefore, they can well stand the burdens consequent upon the cost of any such scheme. It must be remembered that if by any hasty and premature decisions, burdens are imposed on industries, it would be well-nigh difficult, at a future date, if it was found and acknowledged that such burdens were beyond the ability of those concerned to pay to remove them. In short, the effect of any such scheme on the financial condition of industries should be evaluated by reference to the state of affairs obtaining in normal times.

My Committee are also opposed to any piecemeal proposals for labour reform, as by such a procedure employers would not be in a position to know the extent of the cumulative burdens which they would be called upon to bear on account of the cost of all such schemes. It would be more desirable to consider together all proposals regarding social and labour legislation, so that a full appreciation of the financial commitments of all such measures could be made.

Another issue of principle which they would like to stress is that labour legislation should be on an all-India basis including Indian States, so that unequal competition between units in British Indian territory and those in States territory, due to differential labour standards, may not present itself, to the detriment of industries in British India. Further, it is necessary that any measures that may be recommended or adopted should be equally applicable to labour employed by Government, both Central and Provincial, as also those employed by quasi-Government undertakings.

There is another fundamental consideration which they wish particularly to urge, in this connection. Obviously, the proposed sickness benefits and similar legislation for labour amelioration are intended by Government to be confined to labour employed in industries. It would not be out of place to draw pointed attention to the fact that nearly 70% of the population in the country is dependent on agriculture. Standards of living and standards of social amenities in any industry or avocation have a close bearing on the standards obtained by people, in general, in the country. It should not be the aim and object of any enquiry or scheme to push up artificially the standards obtaining in a particular branch. Such schemes, therefore, should be considered and studied in relation to the general background of labour standards obtaining in other walks of life in the country. This aspect was very succinctly dealt with by the Royal Commission on Labour. They observed that—

> " any policy which raised cost of the articles to the consumer in order that industrial workers may achieve a standard of living disproportionately greater than that of his agricultural brother, is justifiably open to criticism since it would involve the taxation of approximately 340 million people for the benefit of about two million industrial workers."

My Committee have grave doubts regarding the success of any policy of initiating schemes, which may be suitable for highly advanced industrial countries, but not for a country like India.

Having said this, my Committee wish, however, to make it clear, lest they should be misunderstood, that on humanitarian

grounds they are in full sympathy with the object of advancing the condition and standard of life of labour and providing every facility for the same. They are, at the same time, anxious that the practical realities of the situation should not be ignored and in any such matters, it would be to the lasting interests of all concerned, including labour, to hasten slowly. If by any premature imposition of burdens of such a character the industries in the country are handicapped, the repercussions on labour by the consequent disorganization will certainly be harmful to their interests. Incidentally, it may be mentioned that even some of the industrially advanced countries like Australia or Canada in the Empire and Japan in the East have not ratified the International Convention regarding Sickness Insurance and these are the countries with which India will have to compete industrially in the post-war period.

This is not the first occasion on which the Government of India have invited the views of the industrial and commercial community in regard to the feasibility of a scheme of Sickness Insurance. In the year 1935, in reply to a communication from Government on the subject, my Committee, while sympathizing with the underlying object, expressed great diffidence in the practicability of any such measure, as, in their opinion, the workmen themselves will be slow to react favourably to the proposal of compulsory contributions. A copy of their views then expressed, is sent to you herewith for your ready reference. In the year 1937, the Government of Bombay, also circulated proposals for granting leave with pay for industrial workers more or less to take the place of a scheme of Sickness Insurance. The proposal was examined in detail by my Committee and a copy of their views, on that occasion, is also annexed. Again in 1940, the Government of India invited the opinion of my Committee on the feasibility of introducing a scheme of insurance to be financed mainly by contributions from employers and employees. In reply, my Committee observed that consideration of such questions should be deferred till after the war was over and that the present conditions were not suitable for initiating such legislation. Nothing has happened since then, which would justify a more optimistic view of the feasibilty of undertaking such a scheme at this stage.

The views of the Indian employers, in general, on the principle of Sickness Insurance were, however, crystallized at a Conference held in Bombay on 8th September 1940, under the joint auspices of the All-India Organization of Industrial Employees and the Employers' Federation of India, when the following Resolution was unanimously passed :—

" This Conference generally approves the principle of Sickness Insurance provided that :

(*a*) the State, Employers and Labour contribute to the cost;

(*b*) legislation is on an All-India basis;

(*c*) legislation is made applicable to all important industries and Government undertakings, both Central and Provincial; and

(*d*) similar legislation is concurrently enacted in all Indian States."

The conditions prescribed are essential pre-requisites to the adoption of any scheme and my Committee are in general agreement with the same. Unless and until Government are convinced that it would be feasible to fulfil all the conditions postulated there, Government would not be well advised in taking any further move in the matter.

On the question of cost and the basis of sharing the same, it would appear from the record of the discussion at the proceedings of the second Conference of Labour Ministers in January 1941 that Government are inclined to feel that the cost of any such scheme should be shared between employers and employees and that Government, at any rate, should not be called upon to contribute anything. If Government wish to take up that position, it is extremely unfair. In other countries where such schemes are functioning, Governments are meeting their share of the burden. In the United Kingdom, particularly, where legislation in regard to National Health Insurance is understood to be working successfully, Government is an important contributory, so far as finance is concerned and is also meeting fully the cost of the administration of the whole scheme.

In conclusion, my Committee wish to reiterate that the present time is not at all opportune for discussing or initiating

any scheme of Sickness Insurance and that if, however, Government feel themselves obliged to move in the matter, it should be only on the basis and on conditions outlined in the Resolution of the Conference of Employers referred to above.

APPENDIX 68

Surcharge on Fire Insurance of Cotton Bales

Letter No. 899 dated 18th March 1943 from Chamber to Bombay Fire Insurance Association, Bombay.

My Committee are given to understand that the existing tariff for fire insurance provides for a 20% surcharge on fully packed cotton bales lying or stored at a distance of 10 miles away from the nearest railway station. In this connection, it has been pointed out to them that the provision about the surcharge was made many years back on the ground of difficulties and delay in going to the place of storage whenever it was necessary to do so. In those days movement by road was difficult both because of the condition of roads and because motor transport had not developed to the same extent as at present. In view, however, of the considerable improvement which has been effected since then in regard to facilities for movement by road, it has been represented to my Committee that there is no longer any justification for continuing the surcharge in question. My Committee feel that there is considerable force in that point of view and that, therefore, your Association should reconsider the position with a view to removing the extra levy.

It is hoped that your Association will be pleased to bring about the necessary change in the tariff at an early date.

Letter dated 13th April 1943 from Bombay Fire Insurance Association to Chamber.

I acknowledge receipt of your letter No. 899 of the 18th ultimo and am directed to inform you that certain places, as per list enclosed, are exempt from the 20% surcharge but my Committee feel that there is no case for the inclusion in the list of any more such places during the war and do not agree, in present circumstances that there is a considerable improvement in facilities for movement by road. However, if your Committee care to suggest any specific places they are prepared to consider any case you put forward.

Bombay Mofussil Gin and Press Factory Tariff

To be inserted in all Policies covering Ginned Cotton and/or Unginned Cotton, &c.

8. Warranted that the interest insured hereby is not within 300 feet of any shelter or other erection roofed with thatch, jowlees or matting.

NOTE.—This warranty does not apply to erected shelters of wooden posts covered on all sides with Gunny cloth.

9. Every policy covering stocks in an *Open Space* under item D must contain a warranty that such open space is beyond 600 feet from a Cotton Press or Ginning Factory.

10. Warranted that no hay shall be stored within 300 feet of the property hereby insured.

11. *All Policies issued under this Tariff must contain the following warranty*, unless the necessary extra rate of 20% (*vide* first page of this Tariff) has been paid :—

It is a condition of this policy that there is a Railway Station within 10 miles of the property hereby insured.

This warranty need not be inserted in policies applying to the undermentioned well-known places.

Ahmedabad
Ahmednagar
Akola
Amalner
Amraoti
Amroli
Anand
Anjanjaon
Ankleshwar
Arvi
Aurangabad
Bagalkote
Ballapur
Banosa
Bardoli
Bargaon
Barsi
Beawar
Bhavnagar
Bhopal
Bhusawal
Bijapur
Bodwad
Botad
Broach
Budneira
Burhanpur
Burwaha
Chalisgaon
Chandore
Chamak
Dharangaon
Dhamangaum
Dhabhori
Dhoraji
Dhondiacha
Dhulia
Ellichpur
Gadag
Harda
Hinganghat
Hubli
Indore
Itola
Jalna
Jeypore
Julgaum
Junagad
Kapustalni
Kajgaon
Kalol
Kampti
Khranja
Khangaum
Khandwa
Kim
Kokalda
Lakhpuri
Lehgaon
Malkapur
Mehsana
Mendarda
Miagaon
Morvi
Murtizapur
Nagpore
Nandurbar
Nandgaon
Nandura
Nandur
Naosari
Nargaon
Neemuch
Nimarkhe·i
Pachora
Padra
Palej
Parbhani
Pathrot
Porebunder
Pulgaon
Raichore
Rajkote
Raver
Sailu
Sanawad
Sawda
Sheogaon
Sindi
Surat
Tarana Road
Tasgaon
Ujjain
Umreth
Umri
Veeramgaum
Verawal
Wadhwan
Wardha
Warora
Yeotmal

Letter No. 1406 dated 6th May 1943 from Chamber to Bombay Fire Insurance Association, Bombay.

I am directed to acknowledge the receipt of your letter of the 13th April 1943, on the question of 20 per cent surcharge on insurance premium for properties situated 10 miles away from Railway Stations.

My Committee have gone through the list of places which are exempt from the surcharge. They have, however, to suggest that there is a strong case for Akot and Pusad being included in the list. Akot is about 28 miles from Akola, and there is a good and well-built road connecting the two places. There is also a regular bus service between Akot and Akola, and my Committee understand that buses run almost at intervals of one hour. Pusad is about 35 miles from the Railway Station Darwha Motibagh. As a matter of fact, formerly, Pusad had its own Railway Station; but, in 1941 due to war exigencies, the railway line in question was closed. There is a road in good condition connecting Pusad with Darwha Motibagh Station, as also Basim. Moreover, there is also a regular bus service between Pusad and Darwa Motibagh and from Akola to Basim and thence to Pusad.

In view of the above, transport and other facilities, my Committee submit there is a strong case for exempting the above two places, viz. Akot (Berar) and Pusad (Dist. Yeotmal) from the operation of the 20 per cent surcharge.

It is hoped that your Committee will be pleased to accept the above suggestion.

Letter No. 3920|19 dated 26th May 1943 from Bombay Fire Insurance Association to Chamber.

I acknowledge receipt of your letter No. 1406 dated the 6th instant and am directed to inform you that my Committee have decided to include Akot and Pusad in the list of places which are exempt from the 20 % extra.

Members will be notified of the above in the next issue of the monthly Bulletin which will be issued shortly.

APPENDIX 69

Extension of War-Risk (Factories) Insurance Scheme beyond 31st March 1944

Letter No. 3295 dated 24th December 1943 from Chamber to Commerce Department, Government of India.

I am directed by my Committee to refer to your letter No. 104 WRI 233 dated the 26th November 1943 addressed to the Federation of Indian Chambers of Commerce and Industry on the above subject wherin it is suggested to extend the War Risks (Factories) Insurance scheme which terminated on 31st March 1944. The scheme under reference was instituted to compensate war damage to factories with a view to enable industries to maintain their capacity of production. The scheme has now been in operation for nearly two years and will be giving to Government about Rs. 16 crores. My Committee understand that compensation so far paid by Government out of the funds is negligible. In fact, after disbursement and expenditure incurred in the course of two years, a large amount is left at the disposal of Government, on which in the near future no appreciable demands are expected to be made as the war situation in all the theatres has considerably improved with a fair certainty of ultimate victory.

My Committee, therefore, beg to suggest, under the circumstances, that cover under the scheme may be issued for one more year upto March 1945, to all those who have paid the 8 instalments under the scheme, out of the funds now available with Government, without charging any premium for the extended cover. My Committee feel that if Government take their sugestion into consideration, the highly burdened industries of India will be relieved to that extent. Besides, as you must be aware, the Government of Australia have also taken a decision to issue such cover for a period of one year without charging any premium for the extended period for insurance of factories there. If a similar decision to extend the cover to Indian industries is taken by Government, it will be considered as a gesture in aid of Indian industries. If at any time, any future contingency arising, Government become liable for war damage compensation under the scheme which will exceed the sum now at their disposal, they are at liberty to revise their decision.

My Committee hope that Government will give consideration to their suggestion for the extension of the War Risks (Factories) Insurance Scheme for a further period of one year without charging any premium for the same.

Appendix 70

Tax Reserve Certificates

Letter No. 3135 *dated 2nd December* 1943 *from Chamber to Central Board of Revenue.*

The attention of my Committee has been drawn to a *communique* issued by the Central Government notifying the introduction of a system of receiving interest bearing deposits towards payment of income-tax and Excess Profits Tax. Such deposits will bear interest at 2½% per annum, payable in cash at the time of tax payment, from the date of deposit to the date when the tax becomes payable. The interest income is liable to tax and no interest will be allowed on amounts which are not utilized to pay the tax nor on deposits which run for less than three months.

In this connection, my Committee understand that in the U.K. they have a system of Tax Reserve Certificates. They understand that these Certificates will be treated as capital in computing capital for E.P.T. purposes and the interest earned thereon is free of income-tax, super-tax and E.P.T., and that in computing capital for determining the fixation price of Government contracts given on " percentage of capital employed basis " such Certificates will be included as capital. If the above information is correct, my Committee suggest that all the above advantages and facilities should be given to Indian tax-payers also and instead of the present system of receiving deposits against tax payments, a system of Tax Reserve Certificates as in U.K. may well be introduced here also.

Letter No. C.No. 8(33)-*E.P.*|43 *dated* 15*th January* 1944 *from Central Board of Revenue to Chamber*

In reply to your letter No. 3135, dated the 2nd December 1943, I am directed to say that so much of the amount depo-

sited against Income-tax and Excess Profits Tax liability will be treated as cash in hand as is equal to the actual liability in each case and then only upto the date, in the case of Income-tax on which it becomes due, and in the case of Excess Profits Tax the last day of the chargeable accounting period to which the tax relates.

2. I am to add that the Government of India do not propose at present to introduce Tax Reserve Certificates.

Appendix 71

Income-tax on Life Assurance Business

Letter No. 553 dated 18th February 1943 from Chamber to Finance Department, Government of India.

"Committee Indian Merchants' Chamber have seen copy of representation submitted to you by Indian Life Assurance Offices Association, Bombay, suggesting limitation of taxation on profits of Life Insurance business to existing basic rates of Income-tax and Super-tax thereby relieving them from the burden of surcharges. On the analogy of relief in taxation provided in the United Kingdom whereunder differential reduced rate has been prescribed for Life Insurance Companies Committee submit that the claim for special consideration is justified. Insurance business is dependent for successful working entirely on interest yields and if calculations relating to the assumed yields are materially upset by successive tax burdens the anticipations and financial workings of Companies would be seriously affected, detrimental to the interests of the Policy-holders and their progress. Committee therefore commend the case for relief in taxation by exemption from surcharges and fixing a maximum rate for sympathetic consideration of Government."

Appendix 72

Insurance Tariff for Rope-bound Cotton Bales

Letter No. 5126|9 dated 29th December 1943 from Fire Insurance Association to Chamber.

I acknowledge receipt of your letter No. 8953 dated the 4th instant and am directed to inform you that in view of the

special hazard involved in Rope Bound bales an extra of 50 per cent was decided on in February last and my Committee regret they cannot alter that decision.

Letter No. 103 *dated* 11*th January* 1943 *from Chamber to Fire Insurance Association.*

I am directed to acknowledge receipt of your letter No. 5126/9, dated the 29th December 1942 on the above subject. The matter was considered by my Committee at their last meeting. They are unable to agree, however, to the opinion expressed by you that there was a sepcial hazard involved in rope-bound bales. Binding by ropes does not materially affect the density of the packing, and there is no reason why rope-bound bales should be deemed as involving greater risk. Moreover, my Committee are given to understand that, sometimes, hoops being made of iron, are instrumental in starting fires by friction or otherwise; that risk would certainly be absent in the case of rope-bound bales. Even assuming, although my Committee are unable to subscribe to that view, that risk of damage to rope-bound bales is slightly greater, the extra charge of 50 per cent decided upon by your Association is out of proportion, and requires to be reconsidered. My Committee, therefore, suggest that, if your Committee are unable to agree to rope-bound bales being accepted at the same tariff as for hoop-bound bales, the extra charge should not, in any case, exceed 25 per cent. It is requested that your Committee will be pleased to reconsider the matter and change the tariff accordingly.

Letter No. 5126|10 *dated* 27*th January* 1944 *from Bombay Fire Insurance Association to Chamber.*

I acknowledge receipt of your letter No. 103 of the 11th instant and am directed to inform you that my Committee regret they are unable to accede to your request.

Appendix 73

Insurance Premium for Cotton Stored in Open Jathas Covered with Temporary Structures

Letter No. 1827 dated 28th June 1943 from Chamber to Bombay Fire Insurance Association, Bombay.

The attention of the Committee of this Chamber has been drawn by the Bombay Cotton Merchants' and Muccadams' Association, Ltd., to the very high rates of fire insurance premium fixed for open Jathas which are temporarily covered by bamboos and tarpaulin structures as a protection against rains during the monsoon. It is but natural that the merchants consider the rates as double the normal rates fixed by your Association on cotton stored in covered Jathas exorbitant and unwarranted by the actual circumstances of the case. It must, be emphasized that these structures are of only a temporary nature and the risk of fire during the monsoon is much less than during any other season. My Committee feel that the risk in a covered Jatha is less than in the case of an open Jatha, and that charging therefore 100 per cent more for cotton stocked in covered Jathas is not justified.

Under the circumstances, my Committee have to request your Association to be good enough to do away with the increase and charge only the normal rates.

Letter dated 2nd July 1943 from Fire Insurance Association to Chamber.

I acknowledge receipt of your letter No. 1827 dated the 28th ultimo and am directed to inform you that my Committe have carefully considered this matter and they regret they are unable to waive the extras which have been fixed.

With regard to your contention that during the monsoon the fire risk is much less than during any other season, I am to point out that fires do occur on Jathas during monsoon as experience has proved.

It has also not been our experience that fire is more likely to spread in open Jathas than in closed ones especially as the side covers are not tarpaulins as usually understood but hessian cloth impregnated with tar and the inflammable nature of these curtains is more likely to add fuel to any fire which may occur.

Incidentally, two or three of the new sheds partially collapsed during the recent high winds which indicates what is likely to happen in a fire.

Letter No. 1912 *dated 8th July* 1943 *from Chamber to Fire Insurance Association, Bombay.*

I am directed to acknowledge receipt of your letter of the 2nd July 1943, on the above subject and to say that the matter has been further considered by my Committee in the light of the observations made in your letter. They are, however, unable to agree that the risk of fire in open Jathas is, comparatively speaking, so great as to justify an increase in the rate of premium by 100%. Even if the risk in open Jathas is slightly greater than that in *pucca* built godowns, the disparity in the rates at present in force is very striking and requires to be re-examined. My Committee are further advised by those engaged in the trade that the loss experienced in respect of open Jathas cannot also justify such a difference in rate. If, subsequently, in actual practice the experience in regard to risk in such Jathas is unfavourable, the Insurance Company can, at a later date, justifiably demand an increase in premium. My Committee strongly feel that at this stage, it will not be fair to fix the rate at double the normal rate.

It is hoped that your Association will be pleased to reconsider the matter and to effect a substantial reduction in the rate for Jathas with temporary covers.

Letter No. 946-*E*|45 *dated* 27*th July* 1943 *from Fire Insurance Association to Chamber.*

I acknowledge receipt of your letter No. 1912 dated the 8th instant and am directed to inform you that my Committee have nothing further to add to my letter dated the 2nd idem except that the increased rates only apply whilst the covers exist and will again come down to normal as soon as these are removed. The increase is, therefore, in effect only one-third of what it appears to be.

Appendix 74

Countrycraft Insurance

Letter No. 8225 dated 16th December 1943 from Chamber to Commerce Department, Government of India.

The attention of my Committee has been drawn to the unsatisfactory procedure followed by country-craft owners in carrying cargo on the West Coast of the country. It may be pointed out in this connection that country-craft owners, with a view to obtain substantial amount on freight, overload their crafts beyond their carrying capacity as a result of which, my Committee understand, a large number of country-crafts with the cargo have sunk in recent times during the course of their voyage. In order, therefore, to avoid this loss and to regulate the transport of goods from one place to another on systematic lines, my Committee would like to suggest that immediate instructions should be issued by your Department to all Custom and Port authorities to the effect that they should satisfy themselves before allowing a craft to carry load, regarding its maximum capacity, as also its general condition and such other details which weigh with the shipping companies when they carry cargo in their ships. This will have, my Committee feel, the desired effect and reduce, to a large extent, any chances of jettison or destruction.

Appendix 75

War Risks (Goods) Insurance

Letter No. 1737 dated 11th June 1943 from Chamber to Commerce Department, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to address Government on the question of the rate of premium charged for insurance of goods under the War Risk (Goods) Insurance scheme.

In September 1940, when the scheme was first introduced, Government had fixed the rate of premium at 1/32 per cent per month. In April 1941, it was increased to 1/16 per cent; later on it was again increased to 1/8 per cent, and from April 1942 it was increased to 3/16 per cent. Thus, within a period

of about three years, the rate has been increased six times. It is a recognized principle in the fixation of Insurance tariffs that the rates are charged with reference to the loss experienced. Government also mentioned, in the Press *communique* dated the 26th August 1940, that the rate of premium, which was to be fixed every three months, would be adjusted in the light of the developments from time to time. It was, therefore, expected that Government would periodically review the rate and make changes in the same, having regard to the relative risk position. It is significant to point out that the claims that Government have had to meet from the Fund so far are comparatively negligible.

In this connection, my Committee would like to refer to the action taken by the Authorities in the United Kingdom in reducing, from time to time, the rates under the Commodities Insurance Scheme there. In U.K. the rate was fixed at 1/2 per cent per month, when the Scheme was started in 1939; in March 1940, it was reduced to 1/4 per cent; in March 1941 it was increased to 3/8 per cent. In June 1942, it was reduced to 1/4 per cent, and then again in March 1943, to 1/8 per cent. Thus, while in U.K. the present rate is 1/4 of the original rate, in India it has been increased by 500 per cent.

It cannot be seriously suggested that the risk of loss in India by enemy action is greater than in U.K. On the other hand, from all present indications, it can be assumed that the risk is less and there is, therefore, a strong case for a reduction in the rate of premium. Government have also built up an initial Fund, and there is no justification for adding on to the same by levying a high charge. My Committee, therefore, submit that Government will be pleased to review the position and announce a substantial reduction in the rate of premium from the next quarter.

Appendix 76

Difficulties under the War Risk Insurance Scheme

Letter No. 2675 dated 2nd October 1943 from Chamber to Commerce Department, Government of India.

Under the War Risk Insurance Scheme, the Special Officer, War Risk Insurance, insists that figures of purchases and sales

should be supplied to him as per calendar months. As the majority of the members of the Indian business community keep their accounts as per Samvat Year or Maru Year, it is a difficulty to recast figures of business transactions for all months as per calendar months. Even if figures are recast as per calendar months with great inconvenience, the stocks per each quarter have to be estimated for deciding the premium. There is no necessity for calling businessmen from distant places and insisting upon them to supply figures as per calendar months. All these difficulties can be easily obviated if the Government of India would instruct the officers concerned to accept the figures as per month as per accounts maintained.

My Committee also believe that it it is inequitable as well as illogical to determine the replacement cost of commodities already sold during each quarter and to value the estimated stock on hand at the replacement price and then fix the amount of the premium. It is not also fair on the part of the Department to presume that most of the opening stock of a quarter was sold or unsold in any particular quarter and to inflate its price by the difference in its cost and the prevailing market rates.

As insurance of certain stocks is compulsory under the Ordinance, Government should, instead of insisting upon the administration of the subject according to the strict terms of law, pay heed to difficulties experienced by the business community. My Committee believe that the businessmen would be relieved of many hardships if the Department would accept the approximate figures of stocks for each quarter for the calculation of premium, and by giving up insisting upon inflating the price of stocks in each quarter by the difference in costs and prevailing market rates with a view to the insurance being increased on such stock on the basis of such values.

III.—TRADE, INDUSTRIAL AND LABOUR LEGISLATION

Appendix 77

Bill to Consolidate and Amend the Law relating to Government Securities

Letter No. 3149 dated 6th December 1943 from Chamber to Finance Department, Government of India.

I am directed to refer to your letter No. 517-E dated the 6th November 1943 and in reply to send to you hereby the views of my Committee on the Public Debt (Central Government) Bill, 1943, introduced in the last session of the Indian Legislative Assembly.

While introducing the Bill in the Legislative Assembly on the 25th August 1943, the Hon'ble Sir Jeremy Raisman, the Finance Member of the Government of India, in reply to a question stated : " The Indian Securities Act, 1920, will continue to regulate Provincial Securities but will cease on the enactment of this measure to apply to Central Government Securities to which this Act applies. If any Provincial Government finds it necessary to amend the provision in so far as it affects its own securities, it will of course promote its own legislation. The proposed legislation, therefore, is obviously intended to apply only to securities issued by the Central Government and so far as Provincial loans are concerned, the Indian Securities Act, 1920, will continue to apply. My Committee wish, at the very outset, to record their strong disapproval of the above procedure. At present the securities of both the Central and the Provincial Governments are governed by the same law, regulated by the same rules of procedure, have the same types of legal rights and obigations attached to them, and in the eyes of the investing public, betoken more or less the same degree of security and confidence. The Reserve Bank of India act as agents in the matter of issue, collection, payment, administration, etc. of the Public Debt both of the Central and the Provincial Governments. For statutory requirements, as in the case of investments under the Trust

Act as Trustee Securities, or investments under the Insurance Act as Approved Securities, the Provincial and the Central Government loans are treated on a uniform basis. In the money markets and the Stock Exchanges in the different centres of the country, transactions take place in the securities issued by the different Provincial Governments in the same manner as in the case of those issued by the Central Government, and if at this stage anything is done to upset the uniformity in law governing all these securities and transactions, the securities issued by the Provincial Governments may not be as attractive as the securities issued by the Central Government. Different sets of laws, rules and regulations will also lead to confusion in regulating the day-to-day transactions in these securities, and in consequence dealings in Provincial Government securities will be comparatively restricted and their popularity and negotiability will also be comparatively diminished to a considerable extent. The convenience of all interests concerned also requires uniform and co-ordinated legislation to be in force throughout the whole country. My Committee are, therefore, of the definite view that the securities of both the Central and the Provincial Governments should be governed by the same principles of law and as such should be under one legislation enacted by the Central Government and having force throughout British India.

If, however, due to the limitations inherent under the Constitution Act of 1935, it is found that any such new Act covering the whole of British India is not within the legislative competence of the Central Legislature, my Committee prefer that any changes which may be deemed necessary in law should be sought to be made only by amending the existing Indian Securities Act, 1920. Alternatively, as in the case of the recent legislation to control drugs, the Government of India should, by negotiations with the Provincial Governments, take necessary powers to legislate for all India, so as to make the proposed new Act applicable to securities of both the Central and the Provincial Governments. As a further alternative the Central Government may direct all the Provincial Governments to enact analogous legislation for the respective provinces and thereby secure uniformity in the law relating to Government securities throughout British India. Subject to this fundamental consi-

deration, my Committee would now proceed to give their views on the provisions of the Bill in question.

Rules. In the Bill many things are left to be provided by the rules to be prescribed. As the rule making powers cover many important aspects, my Committee feel that a draft of the skeleton rules should have been framed and published, along with the Bill. Without a detailed idea of the exact scope and extent of the rules, it is very difficult to understand the effects of some of the provisions at this stage. At any rate, they suggest that the draft rules should be circulated in advance for eliciting commercial opinion, and a provision should be embodied in the Act analogous to the one in Section 114 of the Insurance Act that every rule shall be laid as soon as may be after it is made before both the Chambers of the Central Legislature for one month, while they are in session, and if within one month from the later date on which the rule has so been laid both the Chambers agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or shall be of no effect as the case may be. Having regard to the fact that the rule-making powers under the Bill cover important aspects, prior consultation with public bodies and legislative sanction as above are very essential.

Renewal of Government Securities

My Committee would take this opportunity of reiterating their views on the position of Government in respect of Government Securities which had been renewed. They would like to recall the discussion on this question and the correspondence that they had with the Government of India in the year 1939, following the decision of the Privy Council in the case : *Secretary of State for India* v. *The Bank of India*, reported in 65 Indian Appeals. They had pointed out that the investing public were by long usage led to believe that on renewal of a Government Promissory Note the holder got a good title and that as a matter of fact a new contract was constituted between such holder and Government and all the defects, if any, in the endorsements of the old promissory note were cured by Government issuing the renewal promissory note. Steps should now be taken to restore the above position by a specific provi-

sion in the proposed new Act, so that the uncertainty caused by the decision of the Privy Council by vesting in Government the right of an implied indemnity against the last endorsee should be removed. In asking for this change, my Committee are only demanding the restoration of the position as it existed between 1920 and 1939. If, however, Government consider it inadvisable to assume full legal obligation in respect of any renewed security, it is at least essential that they should agree to institute a time limit of, say, 3 years, after which no question of the validity of an endorsement can be raised. The investing public have long been accustomed to rely upon the security of investments in Government Paper and in the interests of the popularity of such Paper, Government should reconsider the above point and make modification in law on the lines indicated above.

Summary determination by the Reserve Bank of Disputes in connection with Government Securities (*Cl.* 12-21) :

In order to eliminate long-drawn out disputes and action in Court in regard to the title to a Government Security, the Bill provides for summary adjudication by the Reserve Bank of such disputes. My Committee realize that the above procedure would simplify the day-to-day working and would obviate recourse to vexatious legal action. At the same time, they feel it necessary to ensure that the new procedure does not in any way prejudice the interests of the rightful claimants. While provision has been included for the stay of any proceedings by the Bank to determine such disputes (Cl. 19), there is no provision for any appeal after the dispute has once been decided by the Bank by the passing of a Vesting Order. Any such Order would confer on the person in whose favour it is made full title to the Security in dispute. Only there would remain a personal liability to the rightful owner of the security for money had and received on his account. Thus, even if subsequently, it is proved that the person recognized in the Vesting Order was not the rightful owner, the real claimant cannot claim to be put in possession of the security in dispute, but can prefer only a personal claim against the other party for being paid the monetary value thereof. In order, therefore, that any injustice may not be done to the real owner of a

security by the application of the new procedure, my Committee suggest that an additional safeguard should be provided to the effect that within a fortnight from the date of the Vesting Order, an appeal shall lie to a Committee of not less than three members appointed by the respective Local Board of Directors of the Reserve Bank and the decision of such a Committee shall be final and conclusive. My Committee would further like to point out that the determination of such disputes would involve the consideration of questions relating to the personal laws, etc. by which the parties are governed. In order that the legal implications may be given due consideration and full weight, it is essential to provide that the officer appointed by the Reserve Bank to decide such disputes should also be judicially competent.

Clause 24 :—*Period of Limitation*:

It is provided under this Clause that the liability of the Central Government *in respect of* a Government security and of any interest payment due on it shall terminate on the expiry of six years from the date on which the amount in question became due. Under Section 18 of the Indian Securities Act, 1920, liability of Government, so far as principal and interest are concerned, will cease only on *repayment* of the amount due. This is the first time, therefore, that Government are endeavouring to provide a period of limitation in regard to the payment of the value of securities. Government securities are deemed in the nature of cash or currency by the general public, and it would be suicidal for Government to destroy this confidence by introducing a factor of time bar in the matter of payment. *There should be no limitation, whatsoever, on the question of payment of principal and/or interest.* My Committee, however, have no objection to a provision similar to Section 18(*a*) of the Indian Securities Act, 1920, to the effect that the Government shall be discharged from all liabilities in respect of the security or securities paid—in the case of payment after the lapse of six years from the date on which payment was due. In regard to any other liabilities which Government may incur in respect of such securities, my Committee have no objection to a limitation of time to six years, provided in the case of persons referred to in Sections 6 and 7 of the Indian

Limitation Act, viz. minors, insane persons or idiots, those provisions should apply.

The following minor changes in the provisions of the Bill are also necessary :—

Clause 5 : After the words " Promissory Notes " the words " Bearer Bonds " should be added, so that this type of security is also specifically mentioned in the clause.

Clause 9 : A period of six months is allowed to produce a succession Certificate or the necessary legal title in support of any claim in respect of Government securities on the death of the registered holder. It is common experience that proceedings for getting such certificates of succession take longer time, particularly when there are disputes or rival claims, and the claimant should be entitled to get extension of time on such occasions.

Clause 10 : After the words " managing his affairs ", the words " or under any other disability " should be added. Similarly, the words " or a person under any other disability " should be added at the end of the clause. There should be some provision made for safeguarding the interests of minors, and the Vesting Order should be passed only after proper investigation and due notice to all parties concerned.

Clause 11(1) *and* (2) : In the case of applications for issue of duplicate securities and of new securities on conversion, consolidation, etc. it is provided that the same would be issued subject to " such conditions " as may be prescribed. There is no justification for imposing any such conditions. However, if any conditions are to be prescribed, they should form part of the Rules and should be subject to previous approval as indicated above.

Clause 12(1) : In the notice the nature of the claims should also be indicated; therefore, after the word " claimants ", the words " and the nature of their claims " should be added.

Clause 14(3) : The provision in regard to administering an Oath is repugnant to the religious sentiment of a large section of the people in the country. The evidence should be required only to be solemnly affirmed.

Clause 17. It should be made clear that the publication should be made in the official *Gazette* of the Province concerned.

My Committee hope that Government will be pleased to give full consideration to the general issues raised above, and also to the detailed suggestions made on the provisions of the Bill.

Appendix 78

Indian Companies Act, 1913, Amendment of Sections 277(I)

Letter No. 1443 *dated* 13*th May* 1943 *from Chamber to Department of Commerce, New Delhi.*

I am directed to acknowledge receipt of your letter No. 24(3)-TR(CL)/43 dated the 15th March 1943, giving cover to a copy of a letter from the Reserve Bank of India, No. C 223/B.S. 50-42 dated the 30th December 1942 and to send to you hereby the views of my Committee on the same.

My Committee welcome the opportunity given by the Reserve Bank of India for a comprehensive review of the position of the banks in the country and for making suggestions for having amendments in the sections of the Companies' Act relating to banking. They have, long since, been urging for legislation to regulate banking activities, but Government had definitely turned down their proposals for a comprehensive Bank Act and had considered that provision of a few sections regarding banks in the Companies' Act would satisfy the requirements. They, therefore, were glad that the Reserve Bank put forward a scheme for a Bank Act and they submit their recommendations accordingly. Unfortunately, Government came to the conclusion that the time was not opportune for considering any comprehensive banking legislation and the suggestions made by the Reserve Bank and the recommendations made by different commercial bodies had to remain in abeyance. The Reserve Bank have now put forward a few pertinent suggestions to cope with the difficulties which may arise because of the floatation and organization of a large number of banking concerns, and the Government of India have asked for the opinion of the different commercial bodies with regard to these suggestions.

My Committee again reiterate with all the emphasis they can command that there is an urgent necessity for having a comprehensive Bank Act and that any piecemeal legislation will not be so effective. They, however, appreciate the contentions put forward by the Reserve Bank and Government that a few important changes are necessary in the structure of the sections governing banks in the Companies' Act to avoid any unfortunate developments that may be likely to arise under the present circumstances.

The first suggestion which the Reserve Bank has made is that banking companies should, by law, be allowed to issue only ordinary shares. My Committee have considered the comments of the Reserve Bank on this question. They cannot agree that banks, as such, should not be allowed to have more than one kind of capital and that this form should, under the circumstances now prevailing, be only ordinary shares. There has been a tendency in recent times of banks being started with ordinary, preference and deferred shares. My Committee are not opposed to having ordinary and preference shares for a banking institution. They would not support deferred shares, for, they consider that they would be out of place for a banking institution, though they may be in favour for an industrial organization. Ordinary shares are found to be the only form adopted by several banking institutions in India and practically by all banks in England. While it may be deemed to be a sound and conservative method of working a bank to have only ordinary shares, my Committee do not see any reason why preference shares should not also be allowed side by side. On the other hand, on certain occasions the issue of preference shares by a banking concern may be inevitable; for example, when any banking company, after a period of difficulties, finds it necessary to initiate and adopt any scheme of reconstruction or re-organization, the conversion of a part of the liabilities to the depositors by the issue of preference shares is an expedient which will appeal to all the interests concerned. On such occasions, the depositors could be persuaded more readily to take preference shares than ordinary shares. It will, therefore, be inadvisable to prohibit by law the issue of preference shares by banking companies. They consider that if certain safeguards are adopted, there will be no harmful effects from the adoption of

two forms of shares. They, therefore, consider that there need not be any objection to having two forms of shares, viz. Ordinary and Preference.

If, however, there are two forms of shares, the capital should be so divided that the amount called and paid up on preference shares should not, in any case, exceed the amount called and paid up on ordinary shares. The right of voting should also be on the basis of and in proportion to the paid-up capital contributed by each class of share.

The second suggestion made by the Reserve Bank is that the subscribed capital should not be less than half the authorized capital and paid-up capital should not be less than half the subscribed capital. My Committee agree that the present *laissez-faire* policy with regard to capital is likely to lead to unfortunate results. Institutions are started with authorized capital in astronomical figures and the subscribed capital and paid-up capital being but small portions of the same. All this is likely to mislead the investing public. My Committee approve of the proposal of the Reserve Bank that there should be a fixed proportion as above between the authorized and subscribed capital and subscribed and paid-up capital.

Normally, my Committee will not like to have retrospective effect given to commercial legislation of this character. But with regard to banks, they consider it advisable that retrospective effect should be given to the rights of voting so that, all classes of shareholders may have a proportionate right of voting as per capital paid up.

Appendix 79

Indian Companies Act, 1913, Inspection of Affairs of Companies

Letter No. 939 dated 24th March 1943 from Chamber to Commerce Department, Government of India.

The Marwari Chamber of Commerce, Calcutta, has forwarded to my Committee copies of its communications dated the 6th July and 15th September 1942, addressed to Government regarding the unsatisfactory nature of the existing pro-

visions of the Indian Companies' Act relating to inspection of affairs of Companies. The procedure prescribed in Sections 138 to 141-A in the matter does not adequately safeguard the interests of Companies, as no opportunity is given to the Company or the Management thereof to rebut any of the allegations at the preliminary stage, and thereby prevent or avoid the necessity for the appointment of an Inspector and proceed further with investigations connected with such inspection. My Committee agree that there is considerable force in the contention of the Marwari Chamber that the provisions of the Act, as they stand, can be abused by any set of shareholders who are bent upon creating mischief and consequently the interests of the Company concerned may suffer. As a safeguard, certain steps have been suggested such as giving the Company an opportunity for being heard before any orders regarding inspection are passed. The Marwari Chamber, in particular, has suggested that when an application is made under Section 138 of the Act, due notice should be served on the Company concerned, and if Government are satisfied that the application in question has been made *bona fide*, the Company should be asked to show cause why an Inspector should not be appointed to investigate into its affairs. During the process of investigation, both the parties, viz. the applicant as well as the Company should be given all facilities to adduce evidence and each party should be given an opportunity of challenging or rebutting any evidence given by the other. My Committee feel that these suggestions are but fair, and will, if implemented, act as safeguards, without at the same time, removing the existing right of the shareholders concerned for securing an investigation of the affairs of the Company whenever they deem it necessary.

In this connection, my Committee would further suggest that, on the analogy of the provisions of Section 33(3) of the Indian Insurance Act, copies of the result and the report of any investigation made by an Inspector appointed under Section 138 of the Companies Act should be furnished to the Company concerned and no further action should be taken by Government on the basis of the report before an opportunity was given to the Management of the Company to be heard in respect of matters arising out of the said report.

My Committee hope that Government will be pleased to consider the above suggestions favourably and take early steps for implementing the same.

APPENDIX 80

Indian Merchandise Marks Act—Marking of the Country of Origin in respect of Certain Classes of Imported Goods

Letter No. 2790 dated 14th October 1943 from Chamber to Commerce Department, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to refer to the draft notification No. 301-Ind. (MM) (2)/41 dated the 31st July 1943 in respect of the stamping of the country of origin on certain imported goods under the Indian Merchandise Marks Act. My Committee are obliged to Government for the issue of the said notification and fully concur with the requirements of the indication of the country of origin on goods imported as mentioned in the schedule thereto.

They, however, beg to invite the attention of Government to their previous correspondence on the subject wherein a serious difficulty with regard to the evasion of stamping of the country of origin on goods made in India by British and foreign firms resulting in such goods being passed of as goods manufactured outside India, was specifically pointed out. In their letter dated the 13th October 1942, No. 3473, they gave instances of some of the articles manufactured in India, but not bearing clear indication of the country of origin whereby they were palmed off to the public as goods made outside India. My Committee had then requested Government to make it obligatory on such British and foreign manufacturers to give a clear indication of the country of origin on goods manufactured by them in India, thus safeguarding the public from buying them as goods of foreign manufacture. My Committee, therefore, seriously urge that along with the draft notification above referred to, another notification should also be issued making compulsory the clear stamping of the country of origin on goods manufactured in India by British and foreign firms. It has been the practice of such manufacturers to give a foreign address on the containers of goods made in India without the indication

of the country of origin. My Committee beg to suggest that this practice of giving foreign addresses should also be stopped and that the interests of the consumers need to be safeguarded by the prohibition of any such misleading description given on the containers of such goods.

It is hoped that the request of the Committee will be given due consideration and another notification as suggested will be issued without any delay.

APPENDIX 81

Trade Marks Act and Rules—Suggested Amendments Regarding Register, etc.

Letter No. 940 dated 24th March 1943 from Chamber to Commerce Department, Government of India.

The Millowners' Association, Bombay, has forwarded to my Committee copies of their two representations, the first one dated the 3rd December 1942 and the second dated 9th idem, on matters relating to changes and amendments necessary in the scheme of the Trade Marks Act, provisions thereof and rules thereunder.

The first representation deals with the question of concentrating the registration of all trade marks in Bombay. When the legislation relating to registration of trade marks was on the anvil, my Committee had strongly represented the case for complete arrangement for registration of all trade marks, both textile and non-textile, in Bombay. From enquiries made by my Committee, it was found that over 50% of the non-textile marks deposited under Section 85 of the Act were from Western and Southern India, the percentage of such marks from Bengal, U.P., Assam, Bihar and Orissa being only 30.1. The position in regard to textiles is particularly more striking and significant. Over 63,000 applications for registration were received in Bombay as against 748 only in Calcutta. The above statistical position relating to actual applications for registration reinforces the demand made by my Committee and the Millowners' Association and other commercial associations for concentrating all registration work in Bombay. At all events, the claim for trans-

ferring completely the register relating to textile marks and for opening a full-fledged register in Bombay for non-textiles is irresistible.

In their representation of the 9th December 1942 the Millowners' Association has dealt with the changes necessary under Section 12, 69 and the proviso to Section 63(3) of the Act. The procedure in regard to registration of associated trade marks under Section 12 should be clarified on lines indicated in that representation.

In regard to the restriction under Section 69 on the use of Royal Arms and other emblems as trade marks, my Committee believe that it could not have been the intention of the Legislature to prevent the continuance of marks of that description already in use. In order to clarify the point, it is suggested that a proviso on the lines of the analogous provision in the British Act should be added on to the Section, removing marks already in use from the purview of the ban.

My Committee generally support the suggestions made by the Millowners' Association in their two representations referred to above and request that Government will be pleased to take early steps to make the necessary changes in the Act and the rules thereunder.

APPENDIX 82

Trade Marks Act—Regrouping of Classifications of Textile Goods

Letter No. 607 dated 26th May 1943 from Chamber to Textile Trade Marks Advisory Committee

With reference to your letter No. 122 of the 27th April 1943 addressed to Mr. M. M. Amersey, representative of this Chamber on the Textile Trade Marks Advisory Committee, the report of your sub-Committee regarding the question of regrouping the various classifications included in the fifth schedule to the Trade Marks Act was considered by my Committee and I am desired to send to you hereby their views and suggestions on the same.

They are in general agreement with the broad principles enunciated in the covering report on the basis of which the classifications have been re-grouped. They, however, felt that it was desirable to separate fabrics made entirely of artificial silk and pure silk and bring them under two distinct groups. Both from the point of view of convenience and of protecting the interests of all parties concerned, artificial silk fabrics and pure silk fabrics may, with advantage, be separately grouped. Accordingly, my Committee suggest that two new groups should be introduced, viz. group No. 22 and group No. 23, the former consisting of fabrics made entirely of artificial silk and the latter of pure silk. On that basis the following items will have to be classified under the proposed new groups.

Group No. 22 : Item No. 56—Artificial Silk Striped Shirtings :

NOTE.—Only shirtings with art silk both in warp and weft would come under this group, the remaining items naturally being included among the other items of similar kinds under the group No. 11.

Item No. 59 : Artificial silk dhoties, saries and scarves and sari cloth.

NOTE.—Here also only such fabrics in which art silk is used both in warp and weft should be included in the new group, mixed goods being grouped as proposed in the report of the sub-Committee.

Group No. 23 will consist of :

Item No. 65—Pure silk sarees.

Item No. 85—Pure silk coatings—plain, striped or checked.

Item No. 86—Pure silk shirtings—plain, striped or checked.

Consequential changes by deleting other items from the other groups will also have to be made.

Subject to the above alterations, my Committee generally approve of the re-grouping proposed in the report of your sub-Committee.

APPENDIX 83

Sale of Matches other than "Wimco" in Ahmedabad

Letter No. 3300 dated 27th December 1943 from Chamber to Finance Department, Government of Bombay.

The attention of my Committee has been drawn to an order issued by the District Magistrate of Ahmedabad prohibiting all firms except the Western India Match Company from importing and selling matches of any make in Ahmedabad City. In this connection, my Committee have seen letter No. 35/(3)/38303-II of 1st November 1943, addressed by the Director of Civil Supplies to the Bombay Match & General Mfg. Co., of Bombay (having their factory at Cambay) wherein it is explained that during February 1943 all the match factories except WIMCO stopped their supplies to their dealers in Ahmedabad city, which resulted in acute shortage of matches in the city. The letter further explained that the drastic step was necessitated in order to regulate the sale of matches and to stop retailers from charging higher prices than the controlled rate. While my Committee can appreciate the drastic nature of any action taken in order to prevent hoarding of and profiteering in any essential article of civil consumption, they cannot understand why such an order has been issued restricting in effect the sale of matches to a particular brand only. Such a step of the District Magistrate not only amounts to discrimination against other match manufacturing concerns, but gives a complete monopoly of sale of matches to WIMCO in the city of Ahmedabad. My Committee, therefore, beg to approach you with a request that the order referred to above should be immediately withdrawn.

In this connection, my Committee would also like to refer to the problem of transport of matches. While the matches of other makes can be despatched to Ahmedabad city and District without much difficulty as they are manufactured in nearby centres, the WIMCO have to be given undue and special transport facilities in order to carry their matches over a long distance. If the restriction referred to above is removed, my Committee are confident that unnecessary pressure on transport will be relieved. They, therefore, hope that Government will be pleased to take early action in the matter as indicated above.

APPENDIX 84

Marking and Stamping Weights Required for Inter-departmental Purposes

Letter No. 1463 dated 13th May 1943 from Chamber to General Department, Government of Bombay.

I am directed by my Committee to invite a reference to their letter No. 1086 dated the 5th May 1941, wherein, they had suggested, for the consideration of Government, the necessity for issuing a Notification under Section 46 of the Weights and Measures Act, exempting internal and inter-departmental weights and measures and weighing instruments from the provisions of the Act regarding stamping, verification, inspection, etc. Many types of weights and measures and weighing instruments are used by business houses and industries for the purpose of day-to-day inter-departmental checks, such as measuring supplies of stores from store-houses and godowns to departments, checking the weights of goods at various stages and for ascertaining weights or measures for personal information of the users. As such inter-departmental uses are for purposes other than trade, the main object underlying the Act, viz. safeguarding the interests of the buyers and the consumers would not be defeated, if the weights and measures and other appliances used in connection therewith are generally exempt from the requirements in regard to verification, etc.

Subsequently, on 4th September 1942, Government issued a draft notification No. 2924/33 exempting weights and measures or instruments " used for mixing ingredients for personal information only in the (1) size-mixing, bleaching, printing, finishing and calendaring departments of Textile Mills and factories and (2) manufacturing concerns and Railway Workshops." This amendment was examined by my Committee then and they felt that it met the requirements of the case, as they were under the impression that the same covered all weights and measures for inter-departmental purposes.

It, however, now transpires from certain correspondence that has passed between a member of the Chamber and your Department that the amendment which was subsequently made in January 1943 in terms of the draft notification of September 1942, is limited in its scope and does not exempt all weights and

measures used for inter-departmental purposes. The emphasis seems to be on the words " used for *mixing ingredients* for personal information only ", implying thereby, that weights or measures used inter-departmentally for purposes other than mixing ingredients would not be covered by the exemption. My Committee are extremely disappointed that the scope of the exemption should have been thus narrowed down in a manner which is not at all justified. They wish to reiterate that the primary purpose of the Act is safeguarding the interests of the consumers or the buyers and that weights, measures and appliances used for purposes other than trade, where the interests of such consumers or buyers do not come, should be completely exempt from the provisions in regard to stamping, verification, etc. It is requested that Government will be pleased to reconsider the matter and issue a fresh notification under Section 46 of the Act extending the exemption on lines indicated above.

If, however, Government are not inclined to make any such general exemption at this stage, they should at least immediately consider the question of revising the fees and charges for stamping, verification, etc. in respect of weights and measures and appliances used for inter-departmental purposes. Only a nominal scale of fees should be charged for weights and measures used for inter-departmental purposes. It is hoped that Government will be pleased to consider the matter at an early date.

Letter No. 2924|33G dated 7th July 1943 from General Department, Government of Bombay to Chamber.

With reference to your letter No. 1463, dated the 13th May 1943, I am directed to state that Government consider that no change in the orders in Government Notification, General Department, No. 2924/33, dated the 6th January 1943, is necessary for the present as they were issued after mature consideration of the various suggestions received in that connection.

2. Government regrets that it cannot comply with the request of the Chamber for reducing the fees for verification and stamping of weights and measures used for inter-departmental purposes.

APPENDIX 85

Recruitment of Indian Labour for Ceylon

Telegram dated 21st January 1943 from Chamber to Hon. Mr. Aney, Overseas Member, Government of India.

Committee Indian Merchants' Chamber understand that negotiations are at present going on between the Government of India and Government of Ceylon for purposes of recruiting thirty-thousand Indian labourers for work in rubber plantations in Ceylon. Committee cannot help recalling the origin of and circumstances under which the Government of India found it necessary to put a ban on emigration of Indian labour to Ceylon. The Government of Ceylon through a series of measures legislative and executive exposed themselves to the charge of pursuing an anti-Indian policy and it was found necessary for the Government of India to intervene to protect the just and legitimate interests of Indian nationals settled there. Committee are aware that production of rubber has an important bearing on war effort but they would like to emphasize that the Government of India should not commit themselves to any assurance of assistance to Ceylon by way of supply of labour unless and until the Government of Ceylon repeal and abolish all measures and steps involving racial discrimination against Indians and also give an unequivocal undertaking that in future there would be no discrimination against Indian nationals in that country and that they would be accorded full political, civic and economic rights equal to those enjoyed by the citizens of Ceylon

IV.—GENERAL TRADE AND INDUSTRY

APPENDIX 86

Interview with the Hon. Sir M. Azizul Huque, Member for Commerce, Industries & Civil Supplies, Govt. of India

Speech of Mr. Haridas Madhavdas, President, Indian Merchants' Chamber, at the interview with the Hon'ble Sir M. Azizul Huque, C.I.E., D.Litt., Member for Commerce, Industries & Civil Supplies, Government of India, on Thursday, the 26th August 1943.

Sir Muhammad Azizul Huque,

It gives me great pleasure to welcome you to our meeting this afternoon. We have been carrying correspondence on some of the burning problems of the day with Government; but personal interviews of this character are sometimes much more efficacious in solving the difficulties and arriving at, what may be called, an agreed solution. The two questions, which have been engrossing the attention not only of the business community but of the general public at present, are food and cloth. You, Sir, are now no longer concerned with the question of food control, and we shall place our views and difficulties before the Hon'ble Member in charge whenever he happens to visit Bombay in future.

Cloth Control:

You are, however, concerned with the control of cloth, and we should like to express some of our views to you, so that early steps may be taken to find a solution for the difficulties which the business people are facing. My Committee approved of the policy of control of the different articles, e.g. food, cloth, etc. initiated by Government. They must say that it would have been better perhaps if Government and the public could have gone on without any such controls. Having, however, seen the results of free trade and having once initiated a policy of control, we would not, at this stage, favour any reversion to free trade, as the remedy would then be much worse than the disease. The policy of control, if it has to succeed, assumes *ipso facto* that there is a perfect co-operation

between Government and different interests concerned. We have already, in our communications, explained how there are five principal interests concerned with the cotton textile trade, viz. cotton growers, cotton distributors, cotton goods manufacturers, cotton goods distributors and consumers. You, Sir, will agree with us that it stands to reason that all these varied interests should have been consulted before such a serious and momentous step was taken of establishing control over the movement of cotton cloth and yarn. The only interests, however, so far as we can see, which were consulted were the interests of the millowners. The result has been that some of these varied interests find it difficult to accommodate themselves to the changed conditions and are apprehensive that the new Control Order will affect them adversely. It was curious and perhaps paradoxical, if I may say so, that the Cotton Control Order preceded the Cotton Cloth & Yarn Control Order. This inverse method of first controlling cotton and then cotton cloth and yarn, was extremely unfair. The effect would be that the manufacturing mills would be able to buy cotton at prices over which a ceiling has been indicated, and thus benefit at the expense of cotton trade and the growers; on the other hand no bottom prices are fixed for cotton at which the mills would be compelled to buy or prices at which Government themselves would buy cotton for the benefit of the growers in case the prices go below the ceiling. The Cotton Textile Control Board, which has been instituted to look after the control of cotton cloth and yarn, is not properly constituted, and a large majority of its members are representing only the manufacturing interests. In our emphatic criticism of the Control Order we had pointed out all these defects; but unfortunately, the reply which we received from Government is that they do not at present intend to modify the Order in any material respects, and that the number of the members on the Control Board would not be increased as otherwise it would make it unwieldy. Unfortunately, Government are following their traditional policy of not changing or amending the steps they have taken once, even though such changes or amendments would mean getting the approval of the general public for the setps they may have taken.

Exports of Foodstuffs and Cloth :

My Committee recognize, Sir, as I have already indicated that you are no longer concerned with the food question. At the same time, the Commerce Department is concerned with the question of exports, and as such we should like to bring it to your notice the extreme advisability of stopping the exports of all foodgrains whatsoever. My Committee have been studying the food situation in the country since practically the beginning of the war, and whether in our communications to Government or in the speeches of the Presidents and the Vice-Presidents at our General Meetings we have always emphasized that foodstuffs represent munitions of war and that looking to the present technique of the war the supply of foodstuffs to the people is of as great an importance as the supply of munitions to the troops. It was because of this that my Committee have always urged the complete prohibition of exports of foodstuffs of whatever sort, including edible oilseeds like groundnuts which are in the nature of articles of supplementary foodstuffs. Unfortunately, the suggestions which we proffered were not accepted and Government went on saying that there was enough of foodstuffs in the country and that there was no necessity whatsoever for stopping the exports of foodstuffs. Looking to the situation, which now prevails in the country—a situation which we cannot but view with grave apprehension and fear— we cannot help saying that the continued export of foodstuffs to foreign countries has resulted in a depletion of their stocks in the country and has brought about a practical starvation of people in vast tracts of the land. Just as we had opposed the exports of foodstuffs, we had also opposed the exports of cloth; and even here our advice was disregarded, with the result that cotton cloth prices flew up 200, 300 and even 400 per cent inflicting a great misery and hardship on the poor and middle class people. It is, Sir, to you, as Member-in-Charge of exports of the country, that we appeal to stop exports of all the essential articles, whether of food, or cloth or like commodities.

Representation at International Conferences :

My Committee have always been emphasizing the importance of sending out Indian representatives at International

Conferences and Gatherings. I am glad to say that our agitation did lead to Government sending out, more or less, Indian delegations to the International Labour Conference and the League of Nations. On account of the war emergency, both these important International bodies have practically ceased to function; but many of us envisage a near future, when International Conferences will be convened to consider international problems of vast importance. Only recently, there were held two or three such international conferences, one of them relating to the distribution of food resources. This conference considered not only questions of war-time distribution, but also long-range questions of policy in the sphere of food distribution. Unfortunately, non-official Indian commercial representation was conspicuous by its absence. We learn that it is intended shortly to convene a Conference in U.S.A. with a view to consider the distribution of the world's textile supplies for the rest of the war and during the first year of peace. We hope that the Indian non-official business community will be represented at this Conference. Surely, it will greatly strengthen the hands of Government themselves, if Indian businessmen of note attend such Conferences as representatives of the Indian people and give their view plainly and frankly on the vast issues at stake.

Post-War Reconstruction:

The Government of India set up some Committees to consider questions incidental to Post-War Reconstruction; but after a time all such Committees ceased to be active and some of the Provincial Governments, which otherwise had begun to take some interest in Post-War Reconstruction, also lost interest. It is true that the problem of Post-War Reconstruction may appear to some people to be very remote and that they may consider that the immediate problems on hand are far more important and require a speedy solution. At the same time it must not be forgotten that after the close of the last war, the lessons of the war came, more or less, to be forgotten, and with this view in mind, reconstruction may well be tackled at an early date. The Federation of British Industries, London, and the London Chamber of Commerce have published reports on the general principles of Post-War economy and there is

evident an anxiety to recognize the claims of backward countries and not look upon them as mere fields of exploitation for industrially advanced nations. Thus the London Chamber of Commerce, for instance, says :—

> "The Chamber cannot, therefore, support any scheme which, in the economic sphere, relies upon some supra-national authority (which in practice must mean the most powerful nation or nations) to dictate to the weaker nations what their internal economic policy shall be. None of the nations, by the management of its own affairs, has given any indication of being competent to manage the affairs of other nations whose conditions, aspirations and outlook would be entirely foreign to it."

It also further observes :—

> "The Chamber is also convinced that nations are in such different stages of development, politically, socially and economically, that any international trading system requiring for its successful working a substantial measure of uniformity in these matters, must be ruled out as impracticable. It believes that one over-riding factor in considering any scheme of post-war reconstruction should be the elimination of economic fears between nationals. Economic relations should be a bond of union and not a source of fear."

These views, coming from an institution like the London Chamber of Commerce, deserve to be studied and considered very closely. You must be knowing that there was a good deal of spade-work done by the National Planning Committee and several cognate committees attached to it regarding industrializaton of the country. These Committees had on their personnel some of the most eminent industrialists, scientists and economists of the land, and their work embraced problems of the most varied character. Several Provincial Governments and Indian States had their representatives sitting on these Committees and it was unfortunate that as a result of the political stalemate that the Planning Committee ceased to function. We would suggest that you, Sir, can well lend your support of the Government of India for the purpose of resurgence and revival of those Committees, especially as the literature already

collected by them and the notes prepared by them will, so far as we know, be of an immense value bearing on the problems of reconstruction work for this country.

Insurance

We would like to refer to some of the difficulties experienced by Indian Insurance Companies, which require immediate consideration at the hands of Government. Section 27 of the Insurance Act, governing investment of life funds, requires that 55% of such funds shall be invested in what may be termed as gilt-edged and approved securities. The greatest drawback of this provision is that the investment of such a large proportion of the funds of life companies in Government securities leads to low interest earning. It must be recognized that the premium tables of Insurance Companies are compiled on the assumption that certain rate of interest must be earned on the funds at their disposal, and if that rate of interest is not continued to be earned, the business will get disorganized. The existing restriction on investments unduly hampers the financial working of life companies. We have represented the matter to your Department more than once, and we request that an early opportunity should be taken to amend the Act in a manner which would allow greater freedom to the management of Insurance companies in distributing their investments.

Another point connected with Indian Insurance, which we would like to place before you is in regard to certain reliefs in taxation. We are aware that a decision on this issue primarily rests with the Finance Department; but as Insurance generally is in the care of your Department, we are referring to the same here, so that you may be pleased to support the case and influence the Finance Department for securing a favourable decision.

The case for a tax ceiling, so far as Insurance Companies are concerned, has by now been forcibly presented before Government. Owing to the exigencies of war, the rates of income-tax and super-tax have been increased; the surcharges have also been added. The incidence of all these is pressing heavily on the revenue position of insurance companies. In the United

Kingdom, the principle of a tax ceiling for insurance income has been adopted and the rate of taxation has been pegged at three-fourths of the standard rate. Insurance companies here also require relief in that direction and the rate should be pegged at a rate lower than that prevailing at present. We are not referring to the matter in greater detail as here also a full case has been presented to the Finance Department.

There is then the question of taxation of additional reserves maintained by General Insurance Companies. In the past, such companies were allowed to treat as expenditure incurred any amounts actually charged against the receipts for purposes of forming a reserve to meet the outstanding liabilities of unexpired risks, including risks of exceptional loss. Such a reserve was divided into two parts, of which the first part was intended to cover normal unexpired risks and was reckoned generally at 40 per cent of the premium income, and the second part was intended to cover losses of an exceptional character. The amounts transferred to such additional reserves for exceptional risks are now not being allowed for taxation purposes. It is a common and very salutary practice for General Insurance Companies to build up substantial additional reserves to meet eventualities of an abnormal character, and Insurance companies should be encouraged in building up such reserves by treating the amounts transferred thereto as an expenditure for purposes of taxation. It is hoped that you will be pleased to examine these points and prevail upon the Finance Member to agree to the same.

Shipping

We have, on several occasions, invited the pointed attention, both of the Commerce Member and the Commerce Secretary, to the great importance and the immediate need, in the interests of India as well as of the United Nations, of the development of an Indian Merchant Navy and the establishment of an Indian ship-building industry. We have also reminded them of the clear and categorical promises and assurances of Government, during the last fifteen years, that it was their responsibility to see that shipping owned, controlled and managed by Indians carried the most substantial part of India's coastal and overseas trades. It is, however, a matter of deep regret that the Government of

India have hitherto failed to redeem their promises, and their spokesmen have failed to tell the Indian public as to what the Government propose to do in the future for developing these two key industries. Great Britain has recognized its own shipping as its great national asset and has been most anxiously considering, even during the war, at to what post-war policy for shipping it should adopt, to preserve its greatness, to maintain its position on the seas, and to enable it to continue to act as an important instrument for the carriage of the trade of the world. It is, however, really unfortunate that neither do the Government of India apply their mind for evolving a long-range post-war shipping policy, nor do they look upon Indian shipping and Indian shipbuilding industries as India's national asset. On the contrary, the Government of India allow British shipping to continue and increase their domination over India's maritime trades even during the war. The Empire maritime policy has always meant for India the establishment of a greater hold of British shipping in India's maritime trades. It did not mean that India should develop her own Merchant Navy and play her part as an important maritime unit of the Empire. Had the Government of India fought for the cause of Indian shipping and not submitted tamely to the dictates of the Whitehall in the matter of this key industry, so essential in times of peace and particularly in times of war for her defence, your immediate predecessor in office would not have had to lament, at the beginning of this year, that

> " one cannot help feeling that had adequate steps been taken in time to promote the development of an Indian Mercantile Marine and an Indian Navy, our country would have been in a position to play much larger and a more effective part in overcoming Axis aggression ",

and to utter a word of warning for the future that he hoped that the *lessons of this war will not be lost upon us* and that every effort will be made to help to develop Indian shipping and shipbuilding industry."

At a time, therefore, when the British Government have announced their post-war shipping policy for evolving "joint control and use of the shipping of the world " and for securing " international co-operation both in the immediate post-war

period and the long-term future " and for the distribution of the " common shipping tasks in the immediate post-war period fairly among the United Nations ", my Committee will feel very grateful to you, if you will kindly let them know clearly as to what place Indian shipping is going to occupy in this control, co-operation and distribution, and what steps the Government of India propose to take for encouraging Indian shipping and providing it with the fullest opportunities, for a just and adequate expansion, not only for the substantial carriage of India's maritime trade, but also for a fair participation in the international maritime trade of the world.

As regards the shipbuilding industry, it is a matter of serious concern to the Nation that not only have the Government of India done nothing to establish it in this country, but they have also failed even to welcome the efforts of private enterprise to build ocean-going ships in Indian yards. Although Admiral Sir Fitzherbert has appealed again and again that " the sooner a shipbuilding industry is started the better for India "; war has unfortunatey been advanced as an excuse by the Government of India for putting every conceivable difficulty in the way of the establishment of a shipbuilding industry in India, instead of providing occasion for developing it rapidly, as has been done, by other parts of the British Empire. It was only last month that Sir Arthur Salter, Joint Parliamentary Secretary to the Ministry of War Transport, stated in the House of Commons that Canada, which could hardly build 1,200 tons of shipping in 1938, has made a rapid progress in the development of shipbuilding industry and " in addition to corvettes and protecting craft it was building approximately the same number of merchant ships as Great Britain ". This means that Canada has made such an unique development of her shipbuilding industry that from 1,200 tons in 1938, it would build 900,000 tons in 1943. While war has given to other parts of the Empire, such as Canada and Australia, all possible incentive and encouragement for the development of this great key industry, it has—it is almost a matter of tragedy—proved as the greatest hamper to the willing and voluntary efforts of Indian enterprise to establish that industry in this country. My Committee are, therefore, really anxious to know when the period of mere promises

and assurances on the part of Government is going to end, and when the time of real action is to begin, so that India can build ocean-going ships in Indian yards, and what the Government of India propose to do, now and hereafter, for helping the private enterprise to achieve that end.

The following is the summary of the replies given by the Hon'ble Sir Muhammad Azizul Huque, C.I.E., D.Litt., Member for Commerce, Industries & Civil Supplies, Government of India.

The Hon'ble Sir Muhammad Azizul Huque, C.I.E., D.Litt., Commerce Member to the Government of India thanked the President and the Committee for their welcome and for the opportunity afforded to him to establish contact with the members representing the business community of Bombay. He added that it was his desire to come to this commercial and industrial city as soon as he took up office, but owing to his official pre-occupations in other spheres he could not do so earlier.

In his preliminary remarks the Hon'ble Member also observed that before he accepted office he was in the public life of the country and as such he was in a position to appreciate the needs and requirements of the people. As a son of the soil, it would always be his anxiety to do all that was possible to secure the welfare of the people of the country generally.

Cloth Control :

The Hon'ble Member agreed with the Committee that it would have been better if the country could have gone on without any control in regard to cotton cloth and yarn. However, under conditions of a total war like the present, restrictions and limitations on trade were inevitable and it could be said from experience in the cloth market immediately preceding the control that if Government had not stepped in, the scarcity for cloth and the high prices charged for the same would have led to chaos. He also shared the views of the Committee that it was essential for the successful working of such control to secure the utmost co-operation between Government and the different interests concerned. At the same time, he pointed out that Government could consult and ascertain the views of only organized interests. The Committee had enumerated five

interests which were directly concerned with the control of cotton cloth and yarn. So far as consumers and growers were concerned, they were unorganized and in the absence of any representative body speaking on their behalf, it was not practicable for Government to ascertain their views and opinion on matters relating to the control.

Regarding the other interests, Government had tried their best to ascertain their opinion and to meet them as far as possible, but he suggested that where there was some inherent conflict of interests, however small, as between the different elements concerned, directly or indirectly, it was futile to expect perfect co-operation. There was bound to be some difference of opinion and it was the anxiety of Government to see that these differences were narrowed down as far as possible and and to so adjust matters as to bring about a reconciliation of the conflicting interests. The Hon'ble Member incidentally mentioned that from the figures of stock returns which had been filed with Government, it would appear that the stock position in the country was fairly good and that there were stocks of piecegoods to the extent of one year's production. It was, therefore, a little surprising that with all these stocks, the country should have been allowed to pass through a period of scarcity for the requirements of the public in regard to cloth. It was pointed out by some members that the estimate of the stocks given by the Hon'ble Member was very optimistic and that to the best knowledge of those interested in the trade, the stocks in the country did not exceed a few months' production. Members further requested that exact information about the stock position might well be published. The Hon'ble Member promised to consider the feasibility of acting on that suggestion.

Cotton Control:

The Hon'ble Member referred to the remarks of the Committee regarding the inappropriateness of the Cotton Control having preceded the Cloth and Yarn Control. He justified the action of Government by recalling the conditions which prevailed in the cotton market from February to May 1948 and the hectic activity and the consequent abnormal rise in prices. In the opinion of Government the said conditions were divorced from the real trade as such and were not in the interests of

either the trade or the growers. Government were compelled to institute the scheme of control as even after the earlier warning given by the Hon'ble the Finance Member, the conditions in the trade did not get stabilized. Government would be prepared to buy cotton on their own account if prices went below a fair level; what that level was, it was a matter for Government to determine. While Government had given an indication of the maximum price, for obvious reasons, it was not possible for them at the present stage to announce the rate at which they would be prepared to buy.

It was pointed out on behalf of the Committee by some of the members present that the rise in prices of cotton during the period in question was due to various factors; that during the years of depression when cotton was ruling very low, Government had done nothing to help the cultivators in their plight; that even at the rates which prevailed in April and May last the prices of cotton could not, in relation to the rise in prices of other commodities generally, be said to have been abnormally high; that the orders issued by Government preventing future trading and upsetting the sanctity of contracts by freeing the parties from the obligation to give delivery or to take delivery were extremely unfair and inappropriate and that after having created all these complications in the trade, the least that Government could do to help the growers and to prevent an undue decline in the price of cotton was to announce that cotton would not be allowed to go below the present ceiling price and that in the event of any setback, Government would be prepared to buy the same at that price.

The Hon'ble Member in his further remarks repeated that Government would be prepared to buy cotton if the prices went below a fair level, but what that level was, it was for Government to determine. He said that Government would be prepared to consider any case that the trade interests might submit on that point.

Food Supply :

The Hon'ble Member observed that no purpose would be served by conducting a post-mortem examination of the events of the past. He pointed out the practical difficulties with which the Central Government were confronted, both in regard to

their constitutional position *vis-a-vis* Provincial Governments and the administrative machinery and arrangements necessary for securing a unified control over distribution and supply on behalf of the Central Government. It would be realized that the country was passing through a state of emergency so far as food supplies were concerned and the immediate question with which Government should concern themselves was how to tide over the emergency. Plans for the future to secure a permanent improvement in the position would necessarily have to wait till the immediate disorganization had been set right.

It was pointed out on behalf of the members that the commercial community generally was of the emphatic view that for the purpose of food supply and distribution, India should be taken as one unit and the Central Government should have a co-ordinated plan for the whole country under which the available supply would be distributed equitably between all parts of the country. If in putting such a plan into execution the Government of India encountered difficulties on account of the constitutional relationship between the Centre and the Provinces and the limitations inherent thereunder, just as in other spheres relating to war, the problem of food supply might be treated as a war problem and the Central Government might well assume full powers to deal with that problem in its entirety for the country as a whole.

The Hon'ble Member in his further remarks observed that there was bound to be difference of opinion on such delicate issues and it would be extremely difficult for the Central Government to take any action over the heads of popular Ministries functioning in Provincial Governments. He, however, reminded the Committee that the Central Government could step in with any such programme of central control and responsibility only after they had built up an elaborate machinery to work up any such scheme and that meant planning for the future; but in the meanwhile, the main problem to be dealt with was the immediate question of saving the areas which were passing through acute distress from the effects of the emergency. Regarding the remarks of the Committee about exports, he drew the attention of the Committee to the recent orders of Government stopping completely the exports of rice and also pointed

out that from the figures of exports of other foodgrains recently published, it was obvious that such exports were insignificant in relation to the total available supply. He added that a strict check on all exports of foodgrains and cloth was being kept.

Representation on International Conferences:

He agreed with the Committee that Indian delegation to International Conferences should include commercial representatives as their assistance and advice would be of great value to Government in connection with the deliberations and decisions of such Conferences. Government would, no doubt, consider that matter whenever the question of sending out a delegation to any such Conferences was before them.

Post-War Reconstruction:

While the Hon'ble Member realized the importance of this matter he felt that it was a sphere in which trade and commercial interests could as well take the initiative and formulate plans and submit them for consideration of Government. Regarding the material collected by the National Planning Committee and the suggestions made by them he felt that they were a little out of date as they were more than two years old. The problem of post-war reconstruction was engaging the attention of Government, but he felt that it was a sphere in which public bodies representing trade and commerce could act by themselves without waiting for a lead from Government.

Insurance:

The Hon'ble Member observed that the points raised by the Committee were in the nature of details and he had had no opportunity of examining them. Government would, no doubt, consider the same.

Shipping:

He noted the views of the Committee in regard to the development of Indian Mercantile Marine and of a shipbuilding industry in the country.

After the President had again thanked the Commerce Member for having met the Committee, the meeting terminated.

APPENDIX 87

Interview with the Hon. Mr. N. R. Pillai, Secretary, Govt. of India, Commerce Department.

Memorandum on the points for discussion with the Hon'ble Mr. N. R. Pillai, C.I.E., C.B.E., I.C.S., Commerce Secretary, Government of India, on Tuesday, the 13th July 1943.

1. *United Kingdom Commercial Corporation* :

We had occasion to discuss this question with you when you met us last year. Subsequently, we had a further detailed discussion with Mr. N. R. Sarker, the then Commerce Member, in December last. We had also followed the debates and discussions on this subject in the Central Legislature. Complaints about the activities and privileges and facilities enjoyed by this Corporation are continuing. In fact, the Federation of Indian Chambers of Commerce & Industry, at its last Annual Session, deemed it necessary to pass a special Resolution in regard to this matter ; and you must, no doubt, have gone through the speeches made in connection therewith. At one stage, the Government of India hoped to secure an assurance from His Majesty's Government that the activities of the Corporation would, at all events, not be allowed to continue after the termination of the war. Dr. Dalton, President of the Board of Trade, however, categorically announced in the British Parliament that no such assurance would be given and that it was intended to utilize the assistance of the Corporation even in the post-war period. Further, we understand that the Corporation has formed subsidiary organizations in various countries like Abyssinia, East Africa, Egypt, Iran, Iraq, Palestine and Sudan, with the result that the import trade of those countries may in future be channelized through that Body. Such a development is bound to affect adversely Indian export interests, and it is, therefore, but natural that it should cause serious concern among Indian businessmen. We cannot help pointing out that although the Indian commercial community has drawn the attention of the Government of India, in clear and unmistakable terms, to the dangers inherent in allowing this Corporation to function in this country, so far no practical steps seem to have been taken to preserve to the nationals of the country the spheres of trade which they had built up after years of

labour. Even the suggestion that, if due to reasons of war policy Government deemed it necessary that exports from India should be dealt with in a centralized manner, they should well set up an Indian counterpart with the assistance of Indian businessmen, has not been accepted or even seriously considered.

2. *Export Markets*:

The developments connected with the war have necessitated certain restrictions on exports from the country. While we realize that such restrictions, particularly in regard to goods required for civilian use in the country, are inevitable, we have to urge that opportunities for Indian exports to some of the countries recently liberated or taken over from the enemy, like Abyssinia, North Africa, etc. should be explored. The Export Advisory Council was constituted by Government immediately after the outbreak of the war to promote and safeguard the interests of Indian export trade. Unfortunately, this Body has not been functioning very actively and no meetings have been held for nearly a year and a half. We submit that the Government of India should, by a long-range and purposive direction, secure to India some of these export markets, as otherwise even in the post-war period it might be difficult to make any headway. In the meanwhile, interests from other countries would have established themselves firmly there. There are already reports that Indian merchants, who were trading in such countries, particularly Abyssinia and Eritrea before the war and who had to leave the countries after the Italian occupation, are now experiencing difficulty in re-establishing themselves there. In view of the improvement in the war situation, it is necessary to give a more active consideration to possibilities of expanding our export trade and securing new markets. The Export Advisory Council should begin to function actively, and possibilities of developing new markets, consistent of course, with the internal supply position, should be pursued vigorously.

3. *Import Control*:

Difficulties connected with shipping and Exchange were the main considerations which necessitated an elaborate control in regard to imports into the country. In view of the improvement of the war position, we suggest that some relaxation in the

control should be possible and the position should, therefore, be reviewed. Even in the cases of imports permitted in the past, it was found difficult to arrange the necessary shipping space. By the co-operation of the allied Governments, it should now be possible to secure more regular transport and shipping facilities for imports into India. In particular, we are anxious that the needs of industries in respect of essential raw materials antd parts and equipment should receive more sympathetic attention. Applications for such imports should be scrutinized in greater detail, and wherever the imports are with a view to meet essential requirements within the country, necessary facilities should be given. We are not referring to specific instances here, because we are, at this stage, asking as a matter of policy for a general relaxation in the control.

4. *Import Control on Dyestuffs* :

We had, more than once, drawn the attention of Government to the difficulties experienced by Indian importers under the existing scheme of Import Control on Dyestuffs and the administration thereof. The Indian section of the trade was, in pre-war years, getting its supplies mainly from countries like Italy, Holland, France and Japan. In calculating the quotas for purposes of licences, however, all this trade is excluded and the licences are granted on the basis of the share of imports of each merchant from U.S.A., and U.K. in the year 1940. This procedure has placed the Indian importers from the other countries in an extremely unfavourable position. We have, therefore, been urging that the whole scheme should be reviewed in a manner which would give to each individual importer a quota in proportion to the share of his trade with all the countries put together. Moreover, the Indian importers should also be entitled to the share of the trade on Government's account which at present, it appears, is being exclusively done by the Imperial Chemical Industries.

5. *Exchange Banks and Policies of Indian Insurance Companies*

We have drawn the attention of Government to a difficulty which has recently cropped up in regard to acceptance of policies of Indian Insurance Companies by Exchange Banks. Foreign buyers while opening Bank Credits in favour of Indian exporters or shippers, mention that Insurance should be with

" British Companies ". In the past this stipulation was deemed to cover all companies registered in the Dominions and in India. Recently, the British Bankers' Association gave a ruling that the term " British Companies " meant only companies whose head offices were domiciled in U.K. Consequently, the Exchange Banks operating here are now demanding insurance with companies registered in U.K. in all such cases. You will appreciate that the position taken up by the British Bankers' Association and on their instruction by the Exchange Banks here is extremely unfair to Indian Insurance Companies. We had carried on correspondence with the Eastern Exchange Banks Association, London, and in reply were informed that in future British Banks would try to secure from their clients a more clear indication of the stipulation in letters of credit regarding insurance by specific mention of the country of origin, thereby avoiding chances of any dispute on that score. So far as Indian Insurance Companies are concerned, however, any such procedure would not solve the difficulty. In the very process of asking for such specific instructions regarding insurance, British registered insurance companies will come to be more prominently and specifically substiuted. The British Bankers have also further suggested that the difficulty may be avoided by Indian exporters stipulating specifically, when opening the credits, that insurance should be with Indian Insurance companies. You will appreciate that in practical working any such stipulation will not be feasible inasmuch as the credits are opened by London buyers through the Banks at that end, and it is too much to expect them to agree to specific mention of Indian Insurance companies to the exclusion of even British companies. We, therefore, suggest that the Government of India should assist in the solution of this difficulty by representing the matter to the appropriate authorities in U.K. with a view to Indian registered companies being treated as coming within the definition of " British Companies " for purposes of such instructions.

6. *Provisions of the Indian Companies Act Re: Reduction of Capital:*

Section 58 of the Companies Act, as it stands at present, provides that the consent of every creditor is required before

a company is entitled to reduce its share capital. This section has created practical difficulties in the way of certain classes of companies desiring to reduce their capital. In the case of an Insurance Company, particularly, every policy-holder would be a contingent creditor and there being a large number of such policy-holders distributed in different parts of the country, it is very difficult to carry out the requirement in actual practice. We are aware of the additional provision in Section 59, under which, such consent could be dispensed with if sufficient moneys are deposited to cover the debts in question; but where the creditors are a large number and the amount payable is contingent, this provision is not of much help. We had suggested that in order to obviate such difficulties, the provisions in the Act should be modified on the lines of the corresponding provisions in the English Companies Act whereunder, the Court had discretion to waive such consent in regard to any class or classes of creditors.

In reply, we are informed by Government that the suggestion would be considered on the occasion of any general amendment of the Act. After that, there was one amending Bill to the Companies Act, but this point was not touched. As some companies are actually experiencing difficulties on account of the present position, it is requested that Government should take up this matter at an early date.

7. *Indian Insurance Companies* :

We would like to refer to some of the difficulties experienced by Indian Insurance companies. Some of these difficulties have already been pointed out to Government before this, but so far no relief has been given. Firstly, there is the question about the provisions of the Insurance Act governing investment of Life Assurance Funds. Section 27 of the Act prescribes that 55 per cent of the total Life Assurance Funds shall be invested in approved securities. With the low yield at present obtaining on Government Paper, this restriction has unduly hampered the financial working of Life Insurance Companies. As this is not a new issue, it is not necessary for us to explain here the position in greater details. We request that an early opportunity should be taken to amend the Act in a manner

which would allow greater freedom to the management of Insurance Companies in distributing their investments.

Another difficulty is in regard to the necessity for a tax ceiling, so far as Insurance Companies are concerned. Due to war exigencies, the rates of income-tax and super-tax have been increased. The surcharges have also been added. The incidence of all these is pressing heavily upon the revenue position of Insurance Companies. The principle of fixing a ceiling for taxation of Insurance income has already been adopted in Great Britain, and we are only asking for the application of the same principle in this country also. It must be realized that Insurance is in the nature of a long-term contract between the Company and its policy-holders, and the fulfilment of that contract is largely based on the expectations and calculations in regard to interest yield. If the rate of that yield is unduly upset by heavy taxation, the whole business will ultimately get disorganized. We are aware that a decision on this matter rests mainly with the Finance Department; but as Insurance generally is in the care of your Department, we have thought it proper to refer to this matter, so that the Finance Department may be influenced in agreeing to the relief asked for in this regard.

8. *War Risk (Goods) Insurance—Rate of Premium*:

We had recently represented to Government the necessity for a substantial reduction in the rate of premium for this insurance. Since then, the rate has been reduced from 8 annas per cent per month to 2½ annas per cent. The reduction, however, is extremely inadequate. In September 1940, when the scheme was first introduced, Government had fixed the rate at 1/32 per cent per month. The same was, by stages, increased to 3/16 per cent from April 1942. In U.K., however, the rate which was fixed at 1/2 per cent when the scheme was started in 1939, has by stages been reduced to 1/8 per cent at present. Thus, while in U.K. the present rate is 1/4 of the original rate, here it is five times the same. It is a recognized principle in the fixation of insurance tariff that the rates are charged with reference to the loss experience. Government also mentioned when the scheme was started that the rate of premium which was to be fixed every three months, would be adjusted in the

light of developments from time to time. From all the present indications, it can be assumed that the risk in this country is, at any rate, not greater than that in U.K. Moreover, Government have also built up an initial Fund of nearly Rs. 4 crores, and there is, therefore, no justification for adding on to the same by levying a high charge. We urge that Government should announce a substantial reduction in the rate of premium from the next quarter.

9. *Participation of India in International Conferences*:

We have often been urging upon the Government of India the necessity for including representatives drawn from the non-official commercial sphere in Delegations that may be sent on behalf of this country to International Conferences, particularly, on occasions when such Conferences are mainly concerned with questions relating to trade and economic policy. Recently, there was held in the U.S.A. an important Conference relating to supply and distribution of food resources, as between different allied countries. The Conference considered not only questions of war-time distribution but also concerned itself with long-range questions of policy in the sphere of food distribution. The omission of non-official commercial representation from the Indian Delegation is very much to be regretted. It is understood from reports appearing in the Press that it is intended shortly to convene a Conference in the U.S.A. of representatives of allied countries, with a view to distribute the World's textile supplies for the rest of the war and during the first year of peace. We would like to have further information on this question. The Indian commercial community, and the textile interests in particular, are vitally and directly interested in any such scheme of distribution of textile resources and it is in the fitness of things that representative commercial men should be associated with the Indian Delegation to that Conference. At all events, Government of India should not commit themselves to any policy or programme without prior consultation with such interests.

On the general issue of Indian participation in such Conferences, it is conceivable that during the final stages of the war and immediately thereafter, many important Conferences for formulating joint policies in the sphere of financial, fiscal

and economic questions will be held. We are naturally very anxious that no commitments shoud be made on behalf of India in all these matters, without consulting public opinion in this country and it is of paramount importance that Indian representation to such Conferences should be predominantly non-official in character, composed of representative men drawn from the commercial and public life of the country.

10. *Shipping*—(a) *Indian Mercantile Marine* :

We are sure that you, Sir, realize, as fully and strongly as the entire country does, the vital need of India to possess a well-developed and large Merchant Navy, so imperative for its safety in times of war, and so essential for its prosperity in times of peace. We have, no doubt, that you will agree with us, that the absence of such a merchant navy has not only seriously affected her import and export trade, but has also been very largely responsible for the difficulties of the present transport problem. You will also recognize that the absence of such a merchant navy has impeded the war efforts in the common interests of the United Nations. This tragic aspect of the situation was, recently, brought home to us, by no less a personage than Mr. N. R. Sarker, the ex-Commerce Member of the Government of India. While presiding over the " Dufferin " Prize Distribution ceremony, he remarked :

> " One cannot help feeling that had adequate steps been taken in time to promote the development of an Indian mercantile marine and an Indian navy, our country would have been in a position to play much larger and a more effective part in overcoming Axis aggression."

He further emphasized, at the meeting referred to above that—

> " The lessons of this war will not be lost upon us and that every effort will be made to help to develop Indian shipping and shipbuilding industry."

Not only has nothing unfortunately been done to build up such an Indian merchant navy, but on the contrary, even the existing Indian shipping has not been allowed to carry its quota according to the existing agreement which, it will be admitted, is bound not only to affect its position but also to work unfavoura-

bly in regard to its relations with the Indian shippers. May we, therefore, Sir, put a plain question to you, as to what the Government of India intend to do, to develop a powerful and adequate Indian merchant navy, worthy of India as an important maritime country in the world?

We cannot also help pointing out that if India had a ship-building industry, building regular ocean-going vessels, the same would have stood the United Nations in this crisis in good stead. The Indian commercial community had, since a long time past, been urging upon Government the necessity for developing a ship-building industry in this country. Even after the commencement of this war, this demand was stressed, and it is unfortunate that a beginning which was made under private auspices to achieve this purpose did not receive the necessary assistance and support from Government. On the other hand, countries like Canada and Australia, which had no ship-building industries of their own, have made tremendous strides in that direction and their efforts are coming in very handy to the United Nations. It is a matter, therefore, for no small regret that, so far as India was concerned, the whole question continues to be shelved or neglected.

(b) *Ships Requisitioned* :

There is one other point which we would like to mention. We are told that almost all ships on the Indian Register have been commandeered or requisitioned. Questions regarding the hire and other compensation to be paid in regard to them have now been outstanding for over three years and more. May we inquire as to when the Government of India are going to settle these questions and whether the Government of India will, as promised by the Commerce Member, attach the fullest weight to the " peculiar conditions of Indian shipping " in their solution and whether they will also look upon Indian shipping as a national asset, just as the Government of Great Britain have been looking upon British shipping as a national asset, and have promised British shipowners to give them all the necessary help to maintain " the British mercantile marine in adequate strength and in a position of full competitive efficiency ".

The following is the summary of the Replies given by Mr. Pillai to the various points raised in the Memorandum :—

1. *United Kingdom Commercial Corporation*:

Mr. Pillai observed that a close scrutiny of the figures of exports from the country did not justify the assertion made by the Committee that the activities of the Corporation were cutting out established business interests from the trade which they had built up. As a matter of fact, 90 per cent of the exports handled by the U.K.C.C. were mainly to Russia. So far as that country was concerned, it was common knowledge that no established Indian interests had been affected as Indo-Russian trade had not developed to any extent before the War. Even in respect of exports to Russia, the main items were jute, shellac and tea and as far as he was able to ascertain the Corporation was using established trade channels within the country for purposes of the above trade. Mr. Pillai's attention was drawn to the possibility of goods being moved from British Indian territory to Indian States for being exported from such Indian State ports on behalf of the Corporation. He, however, pointed out that the fears of the Committee in that regard were unjustified and that a close watch over exports from Indian States ports were being maintained on behalf of the Government of India.

In reply to complaints about facilities and privileges in the matter of priority in shipping, priority in transport, etc. which the Corporation was likely to receive because of its privileged position, Mr. Pillai informed the Committee that, so far as the Government of India was concerned, no such special facilities were being accorded to the Corporation. During the course of the discussion, a suggestion was made that the Government of India should claim from the British Government a share of the profits accruing to the Corporation on account of its activities in this country. Mr. Pillai pointed out in reply that the Corporation was not understood to be making any profit and that the whole Organization was conceived as a utility service to subserve certain special purposes connected with the War.

He further added that if the Committee had any specific instances of alleged unfairness to Indian interests on account of the activities of the Corporation or of any privileges granted to it, the same might be brought to his notice and it would be gone into by Government.

In regard to the suggestion that the Government of India should set up a similar Organization in this country with the assistance of Indian businessmen, he drew the attention of the Committee to the fact that even if such a Body was set, its activities would be confined mainly to Indian territory as Government naturally could not command any special facilities or assistance in other countries. In that view of the case, the handling part of the trade antecedent to export of the goods and commodities concerned would tend to get diverted from the existing channels of trade to the new Corporation. He was not sure whether such a development would be welcomed by Indian commercial interests or whether the same would at all be in their interests.

2. *Export Markets* :

Mr. Pillai said that he appreciated the considerations urged by the Committee in regard to the necessity of increased export facilities. The Government of India would make all possible efforts in that direction consistent, of course, with the paramount necessity of meeting the large internal demand within the country. He added that when the Commerce Member was a little free from the pressing problem of supply of foodstuffs, he might be expected to arrange for an early meeting of the Export Advisory Council.

3. *Import Control* :

Mr. Pillai agreed with the Committee that in view of the improvement in the War situation, it might be possible to review the existing restrictions on imports with a view to essential needs within the country being met on a more liberal basis. He also added that India would be able to secure at her disposal a substantial increase in the shipping tonnage for trade purposes. At the same time, he mentioned that it should not be forgotten that the country could get assistance in the sphere of imports only to the extent to which the supplying countries were in a position to release such goods.

4. *Import Control on Dyestuffs* :

He recognized the reasonableness of the demand made by the Committee that the import quota should be adjusted on the basis of the share of imports from all countries. He promised to have the matter examined.

On his attention being drawn to the fact that no licences had been issued for importation of dyestuffs in 1943, Mr. Pillai said that he would have that aspect also examined.

5. *Import of Raw Cotton* :

In reply to enquiries made at the meeting, Mr. Pillai informed the Committee that arrangements for centralized buying of cotton applied only for Egypt. He added that import licences had been given for all cotton in respect of which freight contracts were entered into before the 24th March last. Regarding the future, the whole position was under examination and discussion.

6. *Exchange Banks and Policies of Indian Insurance Companies* :

Mr. Pillai expressed himself in full sympathy with the case of the Indian Insurance Companies as put forward by the Committee and said that Government would do whatever was possible in the matter.

7. *Provisions of the Indian Companies Act re* : *Reduction of Capital* :

Mr. Pillai replied that the possibility of amending the Act on the lines indicated by the Committee would be gone into.

8. *Indian Insurance Companies* :

(*a*) Investment of Life Funds.—In this matter also he said that the possibility of amending the relevant section of the Insurance Act would be actively examined.

(*b*) Tax Ceiling for Insurance Income.—He appreciated that Indian Life Insurance Companies were entitled to relief in the matter of increased taxation. The question, however, primarily concerned the Finance Department and the Commerce Department had already made its recommendation to the former Department.

9. *War Risk (Goods) Insurance—Rate of Premium* :

Mr. Pillai said that he was unable to agree with the Committee that the risk position so far as India was concerned had substantially improved. He, however, added that the position would be reviewed next Quarter.

10. *Participation of India in International Conferences* :

So far as the Food Conference was concerned, he informed the Committee that Delegations from all the countries consisted purely of official personnel. He appreciated the view of the Committee regarding the necessity for non-official representation and added that in regard to any Conference which was intended to concern itself with problems of material importance, the Government of India would, no doubt, include non-official representatives in the Indian Delegation.

11. *Shipping* :

(*a*) Indian Mercantile Marine.—He observed that when the War was over and when normal conditions were restored, the Government of India would, no doubt, give every assistance for developing the Indian Mercantile Marine. There was no difference of opinion between Government and the commercial community over this issue particularly in regard to the ultimate objective to be realized.

Regarding facilities for ship-building, he mentioned that the matter should be taken up with the Department of Industries and Civil Supplies.

(*b*) Ships Requisitioned.—He observed that he had occasion recently to discuss the question of hire, compensation, etc. in respect of ships requisitioned with the interests concerned and that he hoped that all outstanding points in that regard would be settled very shortly.

12. *Trading in Raw Cotton* :

Mr. Pillai observed that he would place the views expressed by the Committee before the appropriate authorities.

In this connection, his attention was also drawn to the unsatisfactory developments as a result of the Control of trading in groundnuts. He observed that the views of the Committee on that issue would be placed before the appropriate authorities.

APPENDIX 88

Interview with the Hon'ble Sir H. P. Mody, Supply Member, Government of India

Memorandum on the points for discussion with the Hon. Sir Hormasji P. Mody, K.B.E., Supply Member, Government of India, on Thursday, the 14th January 1943 at 12 noon.

(Speech of Seth Haridas Madhavdas, President of the Chamber.)

Sir Hormasji Mody,

I have great pleasure in welcoming you here today on behalf of the Committee of the Chamber. Although you had met us before, after you took up office as Supply Member, this is the first time that we are having a formal discussion of matters coming under your charge. However, your past association with us makes it possible to carry on our discussion in an informal manner. In passing, I may mention that you had the advantage of being directly connected with more than one commercial organization—you are an ex-President of this Chamber—and as such I dare say you will be in a better position to appreciate some of the difficulties that we are pointing out to you today.

1. *Food Supplies and Purchases by Government for Military requirements* :

The country is passing at present, through a great crisis in regard to the supplies of day-to-day requirements of foodstuffs. Bombay, as an industrial city, where there are a large number of workers and people drawn from the poorer classes, is having a full share of these troubles, and in an accentuated form during the last few days. We are aware that the problem, in its main aspect, does not concern directly your Department; we would, therefore, confine our remarks particularly to purchases made on behalf of Government for the requirements of the military and for export to the various theatres of war and to neighbouring countries, which, under existing arrangements, have to be supplied by India. We have no reliable statistics regarding such purchases or such exports and will feel obliged if you will give us detailed information on the points. We realize that the armies have to be fed and that Government have to acquire stocks of foodstuffs for the purpose; but we

must convey to you our strong feeling that great care should be taken to see that such purchases are limited to the minimum requirements within the country and that the balance of position, so far as civil requirements are concerned, should not be allowed to be seriously affected. There is also a strong feeling that the higher prices paid by contractors for the Military and Supply Department for some of the articles of foodstuffs are one of the factors which have contributed to a general rise in the prices of such commodities for the civil consumers. You will please, therefore, give us a full statement of the position, as viewed by Government, and also an assurance that every effort is being made to confine the military purchases to the barest minimum requirements.

2. *Grady Mission and after* :

Great hopes were allowed to be raised in the country regarding possibilities of starting or developing certain industries or manufactures in India with the direct assistance in the shape of machinery, materials and technical personnel by the U.S.A. Government as a result of the recommendations of the Grady Mission. You yourself, Sir, in the statement which you made in the last session of the Legislative Assembly, observed that the recommendations were being examined by the War Resources Committee and that you expected that progress would be satisfactory. While we have our grievances regarding the whole manner and method in which that Technical Mission came to India, completed its survey and made its report—to be treated as a closed book so far as the public here are concerned—we are raising this point with a view to have more information about the future. In a press message, perhaps inspired, it was recently reported that the U.S.A. Government have, due to war developments, felt themselves constrained to decide against giving any effect to many of the recommendations of the Mission. If this information is correct, it is surely unfortunate that after giving all high hopes of possibilities of developing some of the industries here, the whole enquiry should result in nothing. It is requested that even at this late stage Government will be pleased to take the public into confidence as to whether, and, if so, to what extent, assistance has been received, or is expected, from the U.S.A. Government in establishing new war-time industries or developing such existing industries.

3. *Lease-Lend Aid—Agreement between India and U.S.A.*

The public in this country have not been taken into confidence in regard to the exact arrangements between India and U.S.A. regarding supply of Lease-Lend facilities and the commitments made by this country as part of such arrangements. In reply to an enquiry which we addressed to you in June last, we were informed that no agreement had been concluded between the Indian Government and the U.S.A. Government in regard to this matter. We would like to be informed if there has been any development in this regard. Recently, reports have appeared that proposals regarding such an agreement are under discussion between the two Governments. You are no doubt aware, Sir, of our strong views in such matters, viz. that the commercial community is entitled to be previously consulted regarding the scope and terms of such agreements. There is one aspect of this matter, which we would like to emphasize, and that is, India should not be committed to any post-war economic or tariff policy as a result of any such agreement which would restrict the freedom of the country to shape her economic policy in the future to her best advantage.

4. *Requirement in regard to Production of Manufacturers' Invoices*:

Complaints have been received that the Supply Department is requiring suppliers to produce manufacturers' invoices to ascertain the reasonableness of the rates quoted. Such a procedure, it appears, has been adopted even in the cases of accepted tenders, after the rates have been settled by the very terms of the tender. The procedure is obviously untenable and goes counter to the spirit of the sanctity of contract. Mere cost of acquisition, when such acquisition might have been made in normal times (and thereafter expenditure incurred by way of interest, godown charges, etc.) should not unduly influence the Department in beating down the purchase price. Regard must be given to the factor of replacement value and the necessary margin should be allowed to the suppliers. In the case of accepted tenders, at any rate, the practice of subsequently calling for manufacturers' invoices, should be definitely given up.

5. *Freezing of Supplies* :

It appears that under the existing practice, the controllers at the different ports are issuing orders on information about any shipments of essential chemicals like sulphur, dyes, etc. freezing such supplies. Similarly, stocks with importers of many articles of Engineering and Shipping stores, such as wire ropes, marine glue, etc. are also often-times frozen. In many cases these orders are in the first instance, for a period of 30 days; they are thereafter extended. In the case, however, of orders freezing stocks of Engineering and Shipping stores, it appears that the orders have been renewed for a very long period. It happens many a time that Government do not require the whole of the frozen supplies, and they take only a small lot. The procedure has been found to cause considerable inconvenience to the trade and the consumers of such chemicals and other stores. Government should resort to freezing supplies, only when they are sure that a substantial part of the frozen supplies would be required by them. In any case, after a fortnight of the issue of the freezing orders, Government should either pay for the frozen stocks or release them to be eventually disposed of by the importers. The present practice leads to a good deal of uncertainty in that the importer is not in a position to promise any supply to the consumer, even though technically he may be in possession of stocks.

Complaints have also been received against another practice in connection with the freezing of stocks and supplies. It appears that sometimes only stocks of a particular party are frozen, although there might be others with stocks of the same articles. Freezing or requisitioning, whenever resorted to should be general and should, if possible, be by a notification of general application and not be confined to a particular party or parties.

6. *Requisitioning of Supplies* :

Whenever Government find it necessary to requisition supplies of essential articles like chemicals or engineering and shipping stores imported by merchants under their own quota, they should at least release a portion of each shipment for being delivered by the importer to his regular customer. Similarly, on occasions when such imports are under licences specially issued on the recommendation of the Supply Department, at

least a small percentage may be allowed to be returned by the importer for distribution to industrial consumers. Moreover, whenever supplies are requisitioned from the quota of importers, fresh licences for the replacement thereof should be immediately issued.

Further, Government sometimes find it necessary to requisition supplies of chemicals from industrialists, who have laid-by stocks for their own manufacturing activities, such supplies to be tendered to third parties who are doing war work on behalf of Government. In such cases, Government should definitely undertake to replace the requisitioned stocks at the earliest possible opportunity, as stocks with industrialists for their own manufacturing needs are different from stocks with merchants meant for trading purposes. When the requisitioned stocks are meant for delivery to third parties, even for use in war work, if Government cannot guarantee replacement, they should at least give to the parties concerned freedom to acquire fresh stocks at the cost and risk of the third parties.

7. *Basis of fixing Prices for Goods requisitioned* :

Complaints have been received that prices fixed and granted for goods requisitioned by the Department from merchants and importers are sometimes very low and do not leave adequate margin. It is urged that in fixing prices payable for requisitioned goods, the factor of the cost of replacement should have some influence. In any case, due account should be taken of the essential incidental expenses, establishment charges, etc. in determining the margin to be allowed over the landed cost. In an instance relating to the requisitioning of provisions, brought to the notice of my Committee, it was found that on certain items, a margin of only one or two per cent was allowed.

8. *Machine Tool Control* :

We would like to refer to the difficulties experienced under the existing arrangements in regard to the control and supply of machine tools, etc. The basis of fixing prices for machine tools taken over by Government is not deemed satisfactory. It appears that a margin of 10 to 15% over the *landed* cost is generally allowed. This does not take into account all the

incidental and overhead expenses of the stockists or the importer with the result that in actual practice there is scarcely any margin.

We had also recently addressed your Department regarding the freezing of all arrivals of imported cutting tools, electrical equipment, etc. While we recognize that Government and war needs should have a prior claim on the available supply, we had submitted that such freezing should be only to the extent of the actual requirements of Government and that the entire stock should not be frozen or requisitioned. Moreover, the importer concerned should be allowed at least a portion of the shipments with a view to meeting his normal requirements for civil purposes.

Again, machine tools are not allowed to be imported either from U.S.A. or U.K. for stock or replacement purposes, permission being given only for imports against orders approved by the Machine Tool Controller. Such imports are to be secured through Government channels. This has the effect of cutting out established trade channels and people who have been doing business in the line for years together are deprived of their business and existing trade connections. The matters, therefore, requires to be re-examined.

The Honourable Sir Homi Mody thanked the Committee for the opportunity given to him to meet them and to have an informal discussion on some of the questions connected with his department. He recalled his past association with the commercial community of Bombay in general and the Chamber in particular and expressed the hope that, notwithstanding the change in his sphere of activities, the same cordial relations would continue.

The following is the summary of the replies given by the Honourable Member :—

1. *Food Supplies and Purchases by Government for Military requirements* :

The Hon'ble Member pointed out that as the Chairman had mentioned in his memorandum the question did not directly come under his Department. His Department was, till recently, handling the matter of supplies of certain kinds of foodstuffs

to the military. Even that had, since the first of the current month, been transferred to the newly created Department of Food under the Commerce Member; all the same, as a member of the Government of India, he took keen interest in the question and after his coming to Bombay he had been greatly impressed by the extreme urgency of the situation particularly in the city and the province and was convinced that the shortage was really very acute. He had the benefit of discussions on the question with important members of the commercial community, including Sir Purshotamdas Thakurdas, and he would place before the Government of India his impressions and the suggestions and advice he had received. Incidentally, he mentioned that he had some time ago, anticipated some trouble in the matter of food supplies and had arranged that a part of the requirements of wheat for the military should be supplied by imports from Australia. This step, although then it was taken as merely a measure of precaution, had really come as a great relief at this juncture. He mentioned the efforts that were now being made by Government to get additional supplies of wheat from Australia and observed that the only limiting factor seemed to be the scarcity of shipping tonnage. He assured the Committee that Government were fully alive to the urgency of the problem and that they were doing their best to tackle it. According to him, it was futile at this stage to go into the various causes of the shortage, although it could not be seriously suggested that the crops had failed. There were serious causes which had contributed to the existing position among which hoarding by merchants for profiteering and private hoarding by consumers were not the least important. In any case, he wanted to disabuse the minds of the Committee in regard to the fears entertained by them that exports had contributed materially to the present situation. Such exports as had been allowed were almost entirely for the use of Indian formations overseas. India could not possibly refuse to supply her own sons fighting in other countries. Excepting such exports, the limited exports of flour for British troops not included in Indian formations in Iraq and Persia, and occasional exports of small quantities for political and military reasons to places like Iraq, Middle East, Ceylon, etc. Government had not either themselves

exported or allowed exports in large quantities of foodstuffs, at any rate to an extent which would materially affect the balance of position here. Referring particularly to the exports to Ceylon, he observed that, while he did not wish to go into questions of a controversial character connected with Indo-Ceylonese relations in recent years, he reminded the Committee that Ceylon had to be treated as part of India for military and strategic reasons, for the duration of the war and that, at any rate, it was in India's own interest to see that Ceylon's food requirements were met to some extent. He added that even in the case of these exports, lately efforts wer being made to curtail them to the barest minimum.

He assured the Committee that the Government of India and the Supply Department were, so far as military requirements were concerned, required only to provide for the army in India, both Indian and European. They were not supplying foodstuffs to any other theatres of war except to the extent he had already indicated.

Regarding the reference by the Committee to the part played by the purchases for the Supply Department in influencing the course of prices of foodstuffs generally in the country, he admitted that the large off-takes had an inflationary effect; at the same time, in the case of many articles as, for instance, ghee, there were long-term arrangements and the prices were settled on a competitive basis and could not be deemed to be extravagant.

In reply to the suggestion made during the course of the discussion that Government should publish full facts and figures relating to the exports of foodstuffs to outside countries, total purchases made for prisoners' camps, etc. since the commencement of the war and other information relating to purchases made by Government and quasi-Government institutions like the Ministry of Food, U.K.C.C., etc. he promised to examine the same in consultation with his colleagues, the Hon'ble the Commerce Member.

To a question whether supplies sent through transport ships and troop ships came to be included in the figures relating to exports, he replied that he thought so.

In conclusion, he assured the Committee that this question was being viewed by the Government of India as one of extreme urgency, and that no efforts were being spared to increase the supplies available and to secure an equitable distribution of the same.

2. *Recommendations of the Grady Mission*:

There was no reason to feel disappointed over the results of the Mission. The recommendations of the Mission were being gradually implemented and India had already received valuable assistance in several directions. He, however, wished to make it clear that there was no hope of getting anything from the U.S.A. under the Lease-Lend facilities in the shape of equipment or machinery purely for the requirements of industries of a long-term character. The test was whether such industries could be integrated into the war effort. If essentiality was proved and if the American Government was also satisfied that the assistance that was being asked for would result in helping the war effort within a reasonable measure of time—he would put down a period of 18 months as reasonable for the purpose—it would be possible to get the necessary facilities and supplies from America. He gave instances of plant and equipment for new industries ordered from America, e.g. Book making plant and biscuit making plant. He also mentioned that some of the existing industries had received assistance with equipment for expansion. Raw materials like steel, copper rods, etc. were being supplied. A large number of motor vehicles had been received and in a few cases American technicians and engineers had also been promised.

3. *Lease-Lend Aid—Agreement between U.S.A.*:

This question was at present under consideration. He was, however, not in a position to give any detailed information on the same. He added that although he could not give an assurance that the Indian commercial community would be consulted in advance before the terms of any such agreement were settled, their opinion that the country should not be committed to any post-war policy which would have the effect of restricting the freedom of the country to shape her economic policy to her best advantage, would be fully borne in mind and that it would be the anxiety of himself and his other colleagues on the Exe-

cutive Council to see that the agreement did not result in any such disability.

4. *Requirement in regard to production of Manufacturers' Invoices* :

He had personally gone into this question. Manufacturers' invoices were called for only in rare cases. If, however, the Chamber had any particularly bad case in mind, he would look into it if the details were sent to him.

5. *Freezing of Supplies* :

He realized that the commercial community had a grievance in the present procedure and explained that the continuation of the period of freezing in many cases was necessitated by the delay in getting the inspection report and the final orders from indenting departments. The delay was also sometimes occasioned by the owners not furnishing full particulars in time. In order, however, to ensure that the practice relating to freezing of supplies entailed the minimum of inconvenience to trade interests, it had recently been decided that renewal of freezing order should be done only after a Senior Officer of the Department had himself scrutinized the case and satisfied himself that such a renewal was necessary. He felt that this would lead to some improvement in the position. Regarding the complaint of the Committee that only stocks of particular parties were frozen, he explained that the same was done because Government had no information about the other stockists.

6. *Requisitioning of Supplies* :

He regretted that it would not be possible for Government to provide that a portion should be left over for trade requirements or to secure arrangements for replacement. War-time conditions necessarily meant some inconvenience and restrictions and as long as the present supply position continued, the trade would have to put up with it.

7. *Basis of Fixing Prices for Goods Requisitioned* :

The Supply Department here had adopted the principle followed in U.K. Under the existing orders market prices were allowed if the department was satisfied that such prices were not unduly inflated. In other cases, the basis followed was that

reasonable expenses and a reasonable margin of profit were added to the landed cost. Only in very exceptional cases, where otherwise the party concerned might have to go out of business, replacement costs were being allowed. He, however, added that he would be prepared to personally go into any instance in which the Committee felt that the basis of payments sanctioned by the Department had not been fair, if particulars of the same were sent to him.

8. *Machine Tool Control* :

He agreed that only 10 to 15% over the landed cost was being allowed on machine tools requisitioned from suppliers. But he pointed out that the issue had ceased to have any practical importance inasmuch as machine tools were not now allowed to be imported for stock or for replacement, but could be secured only on orders placed by Government themselves. He agreed that there was a great shortage of machine tools in the country and that industries were experiencing difficulty, but the position of supplies in the U.K. or U.S.A. necessitated a strict control on import and use of such tools here. He further referred to the efforts that were being made in the country to increase the machine tool capacity. He added that some aspects of the existing arrangements in regard to the control of machine tool were at present being reviewed at Calcutta by the Machine Tool Controller and the Chamber would, no doubt, be kept informed of developments, if any.

The meeting then terminated.

APPENDIX 89

Observations of the Finance Member in the Legislative Assembly

PRESS NOTE

Seth Haridas Madhavdas, President, Indian Merchants' Chamber, has issued the following statement in connection with the observations made by the Hon'ble the Finance Member in the Legislative Assembly regarding cotton prices :—

" If we examine dispassionately the statement made by the Hon'ble the Finance Member of the Government of India, we shall be able to see how much of it is based on facts and how much on imaginary data. The rise or fall in prices, in the opinion of the Finance Member, can only be due to speculation. There is, however, the simple economic truth that such a rise and fall is due also to the operation of the law of supply and demand. Let me give a few figures with regard to the present position of cotton. The new crop for 1942/43 is estimated to give an outturn of about 50 lakhs of bales; 45 lakhs of these will be used by the Indian mills, while two to three lakhs will be exported outside India. Last year's carry over was a fairly big one, I admit, viz. 30 lakhs bales. I should like, however, to point out that most of the mills are at present holding a stock which totals 15 lakhs bales more than the usual stocks held by them in normal times. The balance is held by the general public as investments owing to apprehensions regarding inflation of currency. The demand is thus more than the supply and as a result, prices have an upward tendency without any extraneous effort in the shape of speculation. I shall not be surprised if even the present rates of cotton go up still higher. There is a great margin of difference between the prices of cotton and the prices of finished cotton goods, even on the basis of the present prices of cotton. The public are aware by now of the sort of controls on several articles of necessity and the general effect of the same on the masses. As far as I am aware, the speculative commitments which could come up from ' options ' and ' sales without cover ' are the least within the last 20 years. To my mind, the reason for the outburst of the Finance Member appears to be that upto now the arrangement was that the mills would get cheap cotton and sell their yarn and piecegoods at enormous rates, netting thus colossal profits from which Government derive their lion's share of taxes. It is now feared that the rising prices of cotton would decrease these profits of the mills and thus *ipso facto* go to lessen taxation revenue to Government. The Finance Member seems to think that cotton prices should not be allowed to go up even by putting up a control on the prices of cotton which would be a great blow to the farmers, who were selling their cotton below cost of production during the depression period, viz. 1929 to 1940. I have

often and often pointed out, while all this depression was on, that Government never cared to give relief to the agriculturists, and yet as soon as there is some opportunity for the farmers to get back a bit of their own and to get higher prices for their produce, there is an outcry from Government quarters and all sorts of irrelevant matters like speculation, etc. are raised. As a result of the rising prices of cotton, Government are afraid that their plan to grow more food would be jeopardized. It appears that in this mood of frustration the Finance Member has lost his balance and indulged in an attack on the cotton grower which is wholly unjustifiable. There is also one factor which it suits the Finance Member to overlook in spite of reminders and that is the root cause of the present general rise in prices all round, viz. the abnormal printing of currency notes, which phenomenon the Finance Member tries so complacently to explain away by saying that it was not inflation, against the Government of India's credit but against the surplus sterling balances. On the whole, therefore, I feel that the Finance Member has been badly advised in attacking the cotton grower, as the present so-called high level of cotton prices is not due to the sins of the cotton trade but to the operation of the law of supply and demand and other causes briefly referred to."

APPENDIX 90

Hoarding and Profiteering Prevention Ordinance, 1943

Telegram dated 27th October 1943 from Chamber to Department of Industries & Civil Supplies, Government of India.

Committee Indian Merchants' Chamber wish to draw attention of Government to feeling of uncertainty and nervousness caused by the Hoarding and Profiteering Prevention Ordinance. While appreciating anxiety of Government to put a check on high prices of articles of daily necessity, they strongly feel that the scheme as embodied by the provisions of the Ordinance entirely unworkable. Government should have consulted responsible trade and manufacturing interests in advance before formulating any such proposals. While the Ordinance is supposed to have come into operation immediately, essential information about many details such as goods exempted, goods for which maximum prices are to be fixed, schedule of such prices, basis of arriving

at landed cost, cost of production, etc. has not yet been announced. Many of the provisions and requirements, particularly those in Clauses five and six, are *prima facie* impractical and unworkable. The provision for a twenty per cent margin on landed cost or production cost or purchase price, ignores the obvious fact that different stockholders of the same article would have acquired goods at different prices and at different periods and thus, if their sale price is to be determined by arithmetical addition of twenty per cent, the anachronism of widely varying rates for the same article in the same market will lead to a state of confusion and disorder. It is also not clear whether the twenty per cent includes both the wholesale and retail stages of the transaction, and if so as to how the last seller is expected to be in a position to know the landed or the production cost. Committee emphatically of opinion the scheme as embodied in the Ordinance entirely unworkable and urge that Government should forthwith order the suspension of the same."

Speech of Mr. Haridas Madhavdas, President, Indian Merchants' Chamber, at the interview with Mr. C. C. Desai, I.C.S., Controller General of Civil Supplies, Government of India, on Thursday, 11th November 1943.

Mr. Desai,

On behalf of the Committee of the Chamber, I extend to you a hearty welcome.

We have met today for the purpose of discussing the provisions of the Hoarding and Profiteering Prevention Ordinance. In this connection, we sent to you a telegram expressing our opinion that the scheme embodied by the Ordinance was of a very wide and sweeping character, several of the provisions being almost impracticable, and as such urging that the same should be suspended. We are one with Government in their anxiety to ensure that prices of articles of daily necessity are not allowed to rise to unreasonable levels. Any control, therefore, which Government might consider necessary to combat the existing inflationary situation should be confined to articles of daily necessity. There is no justification for an all-embracing control —a blanket control, if I may use that expression— as proposed in the scheme underlying the Ordinance. Even in regard to such articles of daily necessity, for which control may be deemed necessary, the details of the proposals should be framed in

consultation with the trade interests concerned in the matter. We may be permitted to point out that in the case of the control on cotton yarn and cloth, Government realized the necessity for a close co-operation and active participation of the trade, and particularly the manufacturing interests. It is regrettable that Government should not have adopted a similar procedure on the present occasion. Our first and foremost suggestion, therefore, is that the present Ordinance be suspended and that a scheme of limited control for essential articles of daily necessity be framed in consultation with the trade interests directly concerned in such articles. Without prejudice to our stand that the Ordinance in its present form should be suspended, we would now proceed to offer our comments and observations on the various clauses of the same seriatim.

Clause 2.—This clause empowers the Central Government to exempt specified articles from the scope of the Ordinance. No such list of excepted articles has so far been publised. If for any reason Government cannot see their way to withdraw the entire Ordinance, at least the list of exceptions should be made comprehensive and all articles which cannot be deemed as entirely essential for the daily needs of the civilian population should be excluded.

Clause 3—*Restriction on Maximum Prices.*—The provision regarding fixation of maximum prices is a very important one, and my Committee are naturally anxious that the same should not be administered in a manner which would involve serious hardship to trade interests. It must be recognized that prices must have some relation not only to the cost of acquisition but also to the cost of replacement in the existing circumstances. In the case of specialized goods in which supplies for replacement are almost difficult, if not impossible, no purpose will be served by either controlling the prices of limited existing stocks or by requiring their compulsory sale at stipulated prices. At all events, maximum prices should be fixed only after close and detailed consultation with the trade interests directly concerned with the respective articles.

In this connection, it may be pertinent to point out that due to the inevitable restriction in the volume of supply of goods

in the existing conditions, the turnover of the traders and merchants is considerably reduced. At the same time, their overhead and other charges incidental to the trade have not relatively gone down. This aspect has to be prominently borne in mind in any attempt to limit prices.

Clauses 3, 4 and 5—*Quantitative restriction in regard to possession, sale, etc.*—Under these clauses Government are empowered to restrict the maximum quantities held by a dealer or a producer and in the case of any article where a separate maximum has not been specifically provided, it is stipulated that no dealer shall have in his possession a quantity in excess of one quarter of the total quantity of that article held by him in the course of the year 1939. Similariy, Clause 5(*b*) puts a restriction on producers in respect of quality of stocks in their possession and it is prescribed that the said stock shall not exceed one quarter of the total production in any one of the three years, 1940, 1941 and 1942. My Committee are aware that these limits can be varied at the discretion of the Controller-General. They must, however, point out that in the present conditions, the limitations imposed in this regard are bound to cause serious inconvenience and hardship. It must be realized that in the case of imported goods, due to control and irregularity in transport and shipping facilities, it oftentimes happens that accumulated orders for supplies are received all at a given time, with the result that the limitation in regard to quantity cannot be observed in actual practice. In the same manner, in regard to goods manufactured within the country, due to seasonal difficulties connected with the transport and various similar factors, into the details of which we need not go at this stage, it may be necessary for any producer to carry over larger stocks than one quarter of his normal annual output. Having regard to all these practical considerations, we are strongly of the opinion that the restrictions on holding of stocks contemplated hereunder should be removed.

My Committee must also warn Government that if the above restrictions are enforced, there is the danger of such supplies as are available in the country—which in relation to the demand are extremely inadequate—going underground or being removed out of the jurisdiction of the Government of India. Any such

development will only accentuate the present conditions of scarcity for consumers' goods and add to the travails of the civilian population.

Clause 6—20% *Margin.*—This clause provides that in respect of articles for which separate maximum prices have not been fixed, the same shall be sold at 20% over the landed cost in the case of imported articles and 20% over the cost of production in other cases. We are aware that the Controller-General can, at his discretion, vary the said margin. We must, however, point out that the limitation in regard to a margin of 20% is the most objectionable feature of the scheme underlying the Ordinance. Reference has already been made before to the restricted turnovers with which the merchants have to be satisfied in the present day conditions. Government have also, by the institution of various controls, reduced the volume of goods passing through the ordinary trade channels. Under such a state of affairs, the merchants and traders are already incurring expenditure incidental to the trade in establishment, management and other connected charges, the incidence of which will be much higher than in normal times. There are also many specialized trades where, even by the normal custom of the trade, having regard to the highly technical personnel which have to be employed in connection with the maintenance and service, a much higher margin is in force. One factor which seems to have been ignored by Government in fixing a uniform percentage of margin is that different stockholders of the same article in the same market would have acquired goods at different prices and at different periods, and if the individual sale prices are to be merely determined by adding 20%, the phenomenon of widely varying selling prices for the same goods in the same market will lead to confusion and disorder. It is conceivable that a merchant might have a carry-over of stocks imported, say, at the commencement of the war, and in the same market another merchant would have acquired stocks at the peak prices which were ruling during the last few months. If both of them are to sell their goods at 20% above their cost of acquisition, then the difference between the two selling prices will be significantly substantial with the result that the normal functioning of the market with uniform prices and uniform trade conditions will be seriously jeopardised. We are, therefore, strongly of

the opinion that this provision should at all events go, and the margin should be determined with reference to the particular requirements of each article or class of articles. The necessary details will have to be settled by consultation and co-operation of the particular trade interests.

Again, the terms " landed cost " and " cost of production " have not been properly defined. If they are meant to denote the cost at the port of importation, or the ex-factory cost in the case of manufactured articles, then proper consideration has not been given to the other incidental charges which have to be incurred either by the producer or by the dealer before the goods are ready for sale.

Furthermore, it is also not clear as to the stage or stages at which the 20% margin is allowable. As the Ordinance is framed, it would appear that no article can be sold at a price representing an addition of more than 20% to the landed cost, or the cost of production, as the case may be, notwithstanding the fact that the same goods might have changed hands, viz. from the producer, importer or stockist to the wholesaler, from the wholesaler to the retailer. Again, how is the last man in the chain of transactions to know the exact landed cost or ex-factory cost? Again, stocks held by dealers are of different periods when landed and producing prices were widely different. In view of this, a uniform margin of 20% will not be practicable.

Clause 9—*Refusal to Sell.*—It is provided that no dealer or producer shall refuse to sell to any person any article in his possession within the general limits as to quantity as may be prescribed under the scheme. Compelling sales in this manner will cause serious inconvenience both to the trade interests as also to the normal clientele served by such interests. Owing to the existing shortage of goods and difficulties in replenishing supplies, dealers or manufacturers themselves have arrangements to supply or sell restricted quantities to their normal clientele so that such stocks as may be available can be made to go round as long as possible. Such internal arrangement will be seriously disturbed and again there is no justification for compelling a dealer or manufacturer to sell his goods to parties who were not his clients during periods of plenty and thereby

depriving his permanent customers from the full share of supplies to which they would otherwise be entitled.

Clause 13—*Penalties*.—The penalties prescribed for any contravention of the provisions of the Ordinance are indeed severe. We hope it is not the intention of Government to strike terror in the minds of the mercantile and trading community. In trade regulations, the provisions of a savage punishment of imprisonment for five years does not, in our opinion, show any sense of proportion.

Having regard to the several practical difficulties indicated above, we wish to reiterate that the scheme of control as embodied in the Ordinance should not be put into force.

Mr. Desai made the following speech in reply :—

" Mr. Haridas and Gentlemen,

I am very grateful to you all for this opportunity to meet the Committee of the Chamber and discuss with you in detail the provisions of the Ordinance which has created, Sir, if I may say so, such a stir since its promulgation over three weeks ago. As you can imagine, the provisions of the Ordinance, to which you took such strong objection in your telegram and which you criticise in the speech delivered by the President this morning, have had a mixed reception. They are welcomed by the consumers and by the man in the street. On the other hand, they are viewed with alarm by some members of the mercantile community for reasons which I can well appreciate and even sympathize with, though I may not be in complete agreement with them. The Ordinance has been passed and is now the law of the land. There can be no question of either its withdrawal or the determination of Government to see profiteering checked and punished wherever it prevails and in whatever form it may be found to exist. The consumer is, I believe, even keener than Government to see that this profiteering which has gone on for the last four years of the war is at last put a stop to, regardless of the inconveniences or profit losses that may be caused to the mercantile community. This is the situation which we as practical men must all take due note of. After all, even a trader is a dealer in one or a few commodities, but he is a consumer of many more and therefore it is in his interest that evil of

profiteering is combated in the most effective manner and by the earliest possible date without any feeling of tenderness for those classes or quarters who have made enormous gains at the cost of the general consumers.

With these general remarks, I now come to some of the points raised by the President. It has been said that control should be confined to articles of daily necessity. In other words, you recommend, what I might call, sectional control; but here may I remind you that the expert opinion in the country is that sectional controls, leave, as they do, many gaps, are generally ineffective and futile. Control must be all round and must embrace every commodity. We all know why wheat control did not succeed, because control of other foodgrains was not introduced simultaneously, and because the grower of wheat was not protected against profiteering in goods used by him for his daily necessities. The point is so clear that an expert body like the Indian Merchants' Chamber would not want me to elaborate it any further. It is this clamant demand of the country for a war against the profiteer anywhere and everywhere that led Government to bring in this blanket control notwithstanding all the difficulties and complexities of controlling every commodity in a vast country like India with its multitude of petty shops and dealers. Of course, it is the intention of Government to operate the Ordinance in consultation with all the interests concerned, including trade and consumers. You need not, therefore, have any misgivings that the point of view of the consumer alone will be heard and that of the trade overlooked. In fact my contacts during the last three weeks have been with the trade rather than with the consumers. Government is also hoping to get up advisory committees on which representatives of the trade will be invited alongside representatives of consumers. Absence of consultation prior to promulgation of the Ordinance was largely determined by the apprehension that knowledge that Government was about to take action might have given rise to speculative tendencies, such as speculations which occurred some time ago in the Abdul Rehman Street in respect of such commodities as razor blades, tooth brushes, etc.

An exemption Notification under Clause 2 is being compiled and will be issued as soon as possible. It will ordinarily include such articles as are covered by specific control Orders or as are patently unsuitable for omnibus control envisaged in the Ordinance. It cannot obviously be framed so as to render the Ordinance nugatory.

In regard to maximum prices, there is one point on which, it seems to me, that you and I disagree fundamentally. You seem to suggest that prices should be related to cost of acquisition and cost of replacement, whereas our view is that prices should be related to cost of production and to the capital employed in the trade or business. Prices cannot be allowed to be inflated by insertion of a number of links in the chain of distribution, nor would it be reasonable to hold that a man is entitled to charge a higher price for an article acquired at low cost simply because the article can be replaced by a new one at a much higher cost. Secondly you suggest that the Ordinance should be administered in a manner which would involve no serious hardship to trade interests. I agree with your dictum subject to a very small amendment, namely I would add the words " and consumers " after the words " trade interests ". I am sure you would see the justice of this amendment. I need hardly assure you that the provision regarding price regulations will be administered after close and detailed consultation of all the relevant interests and after a full and fair examination of the issues involved. Reduced turnover will be taken into consideration provided that the trade has tried to adjust its overhead charges to meet the new situation and is not merely trying to pass on the burden of the overhead charges to the consumers with an eye on post-war trade.

I am afraid your fears regarding restrictions on possession are exaggerated. I am here to assure you categorically that we are not out to take up cases of technical hoarding but against the special hoarder who is sitting over his stocks with a view to selling them in black market or at excessive prices. Any case of genuine exceeding of stocks will be immediately regularized by an issue of sanction for which provision has been made in the Ordinance. It shall be our duty to see that limit-

ations in regard to stocks shall not cause inconvenience, hardship, or dislocation in manufacture.

As regards 20% margin, I hope it will be satisfactory to you to be assured that what Government is aiming at is continuation of the pre-war custom rather than imposition of a new policy of profit margin at the present juncture. Wherever the normal profit was in excess of 20% margin, all that the trade has to do is to say so, to prove the fact by previous records and to ask for a figure which would, in the existing circumstances, be equivalent of the pre-war profit margin. As Government have stated in their Press Note, all such cases will be sympathetically considered and expeditiously dealt with. Whatever the margin of profit is agreed to, it will operate on the landed cost or cost of production and not on the individual cost of acquisition which can never be the basis of any controlled price policy. Secondly, that profit margin will apply to all the combined transactions between the landed cost or cost of production on the one hand and the final retail sale to the consumer. To adopt any other basis for price fixation is to cut at the root of price control. Every dealer has, I believe, a pretty good idea of the landed cost or ex-factory cost of any article he deals in, and, therefore, there should be no difficulty in giving effect to this provision in actual practice. Secondly, we are not bothered about marginal cases but about cases of profiteering which would stick in the throat of any person, be he a dealer or consumer.

I am somewhat surprised that you consider the penalties prescribed in the Ordinance as severe and savage. Surely, such practices as hoarding and profiteering are so anti-social that no punishment can be too severe for those who indulge in them. Secondly, unless severe sentences are given and imprisonment is made compulsory, offences committed for lucre would continue. That is the experience of all belligerent countries and that is, I assure you, the insistent demand of the people of this country.

I have dealt with the points which you have raised in your address and I shall now be ready to answer any questions which the members may wish to put to me with a view to clarification of the provisions of the Ordinance. There need be no reserve either in putting questions to me or in my giving replies to them.

I thank you all once again for giving me this opportunity of meeting the Committee of the Chamber and hope and trust that we shall continue to work in close co-operation in the interest of our common cause and that you will permit me to come to you for advice whenever I am in need of it and that you will freely consult me whenever you have any doubts or misgivings. We do not wish any harm either to Indian Industry or to Indian Trade. But we must see that business is carried on with due regard to the needs and requirements of the general population of the country."

APPENDIX 91

Cotton Cloth and Yarn Control Order, 1943

Letter No. 2020 dated 22nd July 1943 from Chamber to Department of Industries & Civil Supplies, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to address Government in connection with the above Order.

My Committee would like to emphasize, in the first place, that the whole Order, so far as distribution is concerned, is impracticable. This Chamber represents the interests, not only of one section of trade and industries, but of different sections, in fact of the whole commercial and industrial community. It has, as its members, manufacturers, distributors and consumers, and my Committee regret that before such an Order affecting different interests was issued, they were not consulted in the matter. There are the following five fundamental interests, so far as cotton goods are concerned, viz. (*a*) cotton producers, (*b*) cotton distributors, (*c*) cotton goods manufacturers, (*d*) cloth and yarn distributors and (*e*) consumers. Any Order which is issued to regulate and control cloth and yarn will, therefore, fail, unless it embraces in its sweep all these diffierent variegated interests. So far as my Committee are informed, the only interest which was consulted was the manufacturing section; and it is but natural, therefore, that there are several lacuna in this Order which would not be satisfactory till those lacuna were removed.

My Committee will welcome all reasonable steps to reduce unduly high prices for the consumers so that the requirements of cloth may be available to them and thereby to minimize the distress. Dealing with the different Clauses of the Order, my Committee would like to refer to Clause 14 first. The Order, as it has been issued to the public, is impractical for more reasons than one. This Clause states that no cloth or yarn manufactured before 1st August 1943, shall remain in full bales after 31st August 1943; and all such cloth and yarn shall be finally disposed of by sale not later than 31st October 1943. Cotton cloth should continue in full bales till the time of the disposal through the retail dealers. Any attempts to insist that all the full bales should be opened out and the cloth pieces taken out will muddle the whole situation. It is very well known that there is an abnormal scarcity of godown in the City of Bombay so much so that the Government of Bombay are obliged to nominate a Godowns Advisory Panel to determine how the space available could be best utilized for military and civil purposes. If full bales are opened out, the requirements for godown space will be still more increased, as separate pieces will require naturally a far greater space than full bales. Not only this, but the quality of the cloth and yarn will deteriorate and loose pieces get damaged if they are taken out from the full bales and kept practically open in the godowns.

Under the same clause Government insist that all the cloth and yarn stocks shall be finally disposed of by retail sale not later than 31st October. No details have been forthcoming as to how a retailer could be forced to sell or buyers compelled to buy. On the one hand, Government want all this cloth and yarn to be disposed of before 31st October; on the other hand, they themselves by Clause 17 enact that no person, other than a dealer or manufacturer, shall at any time have in his possession cloth or yarn in excess of his normal requirements, etc. If the consumers have to be restricted from purchasing cloth or yarn (for there is no clear indication as to what will be deemed normal requirements) and if manufacturers and distributors are to be strictly enjoined, under pain perhaps of a penalty, to dispose of all the stocks, the situation to a businessman appears extremely complex and such that he fails to understand what is required of him. Again the stocks with the merchants have

been legitimately and in good faith acquired. Government are compelling the traders to sell the stocks; but if there are no buyers forthcoming, how are the former expected to fulfil their obligations under the Order? Nobody can be compelled to buy, and there is no provision of any saving clause if the trader or dealer, notwithstanding all *bona fide* efforts to dispose of his stock within the time, is not able to do so. Moreover, by publishing the Control Order and the proposals of Government to bring down prices, Government have created a general psychological effect that before long, prices of textiles are bound to be considerably and substantially reduced, with the result that consumers will rather prefer to wait than going in for their requirements at this stage. Further, such forced sales will have very unsatisfactory results in the distributive machinery connected with the cloth and yarn trade. A feeling of nervousness and hesitation will prevail and the traders and dealers, generally, will be unwilling to enter into commitments or to arrange for fresh supplies under the new Order of things.

My Committee further beg to point out that the Cotton Cloth and Yarn Control Order, 1943, has not referred at all to the position of the Bank or Bankers or persons who may have lent moneys on the pledge or hypothecation of goods comprised in the Order. The Order defines a dealer as meaning a person carrying on the business of selling cloth or yarn or both whether wholesale or retail and whether or not in conjunction with any other business, and it defines a manufacturer as a person engaged in the manufacture of cloth or yarn or both. A Bank or a person lending money on the pledge or hypothecation of goods would be outside this definition and it is necessary that the position of such a Bank or a person should be clearly defined.

It is further provided by Clause 14 of the said Order as follows :—

> "No cloth or yarn manufactured before the 1st August 1943, shall remain in full bales after 31st August 1943, and all such cloth and yarn shall be finally disposed of by retail sale not later than 31st October 1943."

As the pledgee of goods is not entitled to interfere with the bales pledged to him or to sell off the goods until the pledger

makes default in payment of the advance according to the contract between the pledger and the pledgee, the position of the Banker or pledgee becomes difficult in so far as the restrictions under Clause 14 are intended. The Committee are advised that it will be impossible for any banker who has advanced moneys or a pledgee to break open the bales of cloth kept in his custody or to sell off the goods except in accordance with the provisions of the law relating to pledge of goods and, therefore, the Banker or the pledgee will be considerably embarrassed unless and until more detailed provisions are indicated to clarify the position of the Banker or pledgee. It may further be pointed out that if a banker or a pledgee is obliged to break open the bales or to sell off the goods in accordance with the provisions of Clause 14, it will lead to considerable economic disturbance, loss and damage to all parties concerned which will react on the whole market of piecegoods.

My Committee should like to refer to Clause 22 of the Order which contains a very drastic penalty for not complying with the provisions of the Order by directing that the Court may order the forfeiture of goods to His Majesty. It is submitted that this provision renders the position of a banker or a pledgee extremely difficult as in case any such Order is passed for forfeiture of goods, it will cause irreparable loss to the Banker or pledgee through no fault of his unless it is intended to repay the advances or loans made by the Banker or pledgee as in most cases, it would be impossible for the Banker or pledgee to recover the loss from the merchant. All these points require immediate clarification.

My Committee have been, from the very beginning of the war, pointing out to difficulties in the way of transport of the most essential articles of life, viz. foodstuffs and cloth. They have emphasized, again and again, that foodstuffs and cloth are essential munitions of war for the Home Front. And yet, the transport difficulties, instead of being reduced or eliminated, have gone on increasing. My Committee do not want here to go much deeper into this question; nor to apportion the blame as to who is responsible for the accentuation of the transport problem. They would, however, like to state here specifically with regard to the Cotton Cloth and Yarn Control Order that,

unless the transport difficulties are removed, there will not be much hope for the Order securing the very laudable object it has in view, viz. the reduction in prices.

Textile Control Board

My Committee would like to point out that the constitution of the Textile Control Board leaves much to be desired. If the Order is to be made successful, it can only be through a perfect Cloth Control Board; but unfortunately, the way in which it is constituted does not lead one to hope that the Board will be able to set right the muddle which is in the country. As mentioned above, there are five important interests centred about cotton, viz. cotton producers, cotton distributors, cotton goods manufacturers, cotton goods distributors and consumers. If the Cotton Cloth and Yarn Control Order is to be made successful, all these different interests should be adequately represented on the Textile Control Board. What has unfortunately happened is that Government have provided for an unduly large representation of manufacturers on the Board and have given only a modicum of it to the distributors, cotton producers and consumers. My Committee, therefore, want that the whole constitution of the Board should be overhauled and there should be provided adequate representation for all these different interests, so that any one interest may not have a preponderating voice, especially, as it appears that the committees which have power of co-option would be powerless if the Board did not agree with their views.

The Order, in the opinion of my Committee, is incomplete and indefinite, because of one other reason also which is that it was preceded by the Cotton Control Order issued on 18th June. It was like putting the cart before the horse that the Cotton Control Order was issued without at the same time, anything being done to stop the soaring prices of cotton goods. Government, through the statement made by the Hon. Mr. Hydari, the Secretary to the Department of Civil Supplies, have given an assurance to the Millowners that if raw cotton is not available in the market at Rs. 550 per candy, they would take steps to requisition supplies of cotton and deliver them to the Millowners at that price. Having taken that step, it is reasonable to suggest that when cotton is available at Rs. 550 the Mill-

owners should buy and not be allowed to wait and pay below Rs. 550, when prices decline. If, however, they do not do so, and subsequently cotton records higher prices, the Millowners should not be entitled to claim assistance from Government for supplies being requisitioned at the fixed price. Further, having given this assurance to the manufacturing interests, it is but proper that Government should, at the same time, announce the price at which they would be prepared to buy cotton, if the prices go down. What was required was a comprehensive policy for not only cotton but also cotton piecegoods and yarn, and a separate action taken first for cotton and then for cotton goods was not meant to bring relief to the millions of the people who were threatened with cloth shortage, and thousands of whom, my Committee apprehend, were actually going about without their necessary cloth requirements.

In conclusion, my Committee earnestly hope that Government will be pleased to take all these circumstances into their consideration and make such changes in the provisions of the Control Order as are absolutely necessary if the Order is to be made effective for public good.

Letter No. 34-Tex|43 dated 9th August 1943 from Department of Industries & Civil Supplies, New Delhi, to Chamber.

With reference to your letter No. 2020 dated the 22nd July 1943, I am directed to say that as the above Order has been promulgated in consultation with all the interests affected and after a very careful consideration of all the relevant circumstances, the Government of India do not at present intend to modify it in any material respect.

Cases of individual hardship will, however, be sympathetically considered by the Textile Commissioner in consultation with the Textile Board.

As regards the Board, I am to add that the Government of India when the decision to constitute it was arrived at, were strongly of the opinion that the Board should not be unwieldy if the work was to be carried on efficiently. It was accordingly decided to limit the number of its members to 25.

It followed that the representation accorded to various interests affected had to be restricted to the essential minimum.

In arriving at the proportionate representation which should be accorded to these several interests, the Government of India have had regard to the nature of the problems with which the Control Board will have to deal rather than to consideration of the numerical strength in India of these several interests.

Letter No. 2283 dated 19th August 1943 from Chamber to Department of Industries & Civil Supplies, New Delhi.

I am directed to acknowledge the receipt of your letter of the 9th instant, No. 34-Tex./43.

My Committee are not satisfied with the explanations given in your letter. It is stated therein that the above Order " has been promulgated in consultation of all the interests affected ". So far as the information of my Committee goes, the only interests consulted are the textile millowners, and the other interests like cotton growers, cotton distributors, distributors of cloth and yarn, and consumers were not consulted at all. It is but natural, therefore, that all such interests should feel that they have not been fairly and equitably treated in this regard. The aim and object of the Government of India in promulgating the Order is to enable the middle and the poor classes to get their clothing requirements at economic rates. This object, however, will not be fulfilled—my Committee may even go further and say will be nullified—if the co-operation of all the different interests, to which my Committee referred in their letter to Government, is not secured. My Committee will be greatly obliged if you will kindly let them know which particular interests Government have consulted in the drafting of the Order before it was promulgated. My Committee would like to emphasize that they are entirely at one with Government regarding the object of the Control Order, and the necessity for introducing an element of control with regard to cloth and yarn; and it is because of their anxiety to make the working of the Order successful that they are pressing upon the attention of Government the necessity for taking with them all the varied interests.

Letter No. 34-Tex(A)|43 dated 30th August 1943 from Department of Industries & Civil Supplies to Chamber.

I am directed to refer to your letter No. 2283 dated the 19th August 1943, and to say that the Government of India

agree with you that best results will be obtained from the Cotton Cloth and Yarn Control Order, which you so kindly commend, if we secure the co-operation of all the different interests concerned. Government's anxiety to secure the co-operation of all interests is no less than that of your Chamber, and we trust that should you in future come across any instances in which you feel that Government is failing to secure that co-operation, where it could be secured, you will bring such instances to our notice.

Letter No. 2523 dated 16th September 1943 from Chamber to Department of Industries & Civil Supplies, New Delhi.

I am directed to acknowledge the receipt of your letter No. 34-Tex(A)/43, dated 30th August 1943.

My Committee note that Government appreciate the need for securing the co-operation of all the interests in making the control scheme a success. Government further observe that they would welcome assistance from this Chamber in securing such co-operation. It was with a view to making such co-operation practical and active that my Committee had, more than once, urged upon Government the necessity for including a representative of a body like this Chamber on the Textile Control Board. Unfortunately, Government have not so far accepted that suggestion. My Committee still venture to submit that the omission be rectified and that a representative of this Chamber be appointed on the Control Board with a view to enable my Committee to be of active assistance to Government in the successful working of the scheme.

APPENDIX 92

Difficulties of the Retail Cloth Trade under the Cotton Cloth and Yarn Control Order

Letter No. 2687 dated 4th October 1943 from Chamber to Department of Industries & Civil Supplies, Government of India.

The attention of my Committee has been drawn by retail cloth dealers to certain practical difficulties in complying with certain provisions of the Cotton Cloth and Yarn Control Order, 1943. Under Clause 14(1) of the said Order, all cloth manufactured before August 1, 1943, " shall be finally disposed of by

retail sale not later than October 31, 1943 ". The retailer under the said clause is thus compelled to sell off before October 31 all his stocks manufactured before 1st August 1943. In this connection, my Committee beg to point out that in order to attract customers a retail dealer is obliged to keep in stock a large variety of cloth. The experience of those in that trade is that all these varieties are not in demand at all times. Even assuming that the different qualities and sorts stocked by retailers are the current demand of the public, it is not practicable to dispose of the large stocks held by the retailers. The problem, therefore, of disposing before the date stipulated in the Order of the varieties of retail cloth is very serious, and my Committee believe that the same can be satisfactorily solved only if the retailers are allowed a certain extension of time for disposing of their stocks. In the opinion of my Committee the present time-limit for disposing of stocks before 31st October is very short and the demand of the retail dealers for extension is just reasonable. My Committee, therefore, earnestly request Government to be pleased to grant such extension of time as would make it feasible for the retail dealers to dispose of their stocks without incurring any loss.

APPENDIX 93

Essential Drugs (Census) Order, 1941

Letter No. 2511 dated 15th September 1943 from Chamber to Director-General, the Medical Service, New Delhi.

I am directed by my Committee to point out to you that the Essential Drugs (Census) Order of 1941 which is amended in November 1942, is unworkable in practice. The recent enforcement of the provisions of the Order is likely to impose hardships on the dealers in chemicals and drugs.

The Clauses (4) and (5) of the Order are impracticable of being complied with because (i) it is impossible for a dealer to know whether a purchase is made with a view to consumption or re-sale, especially because in some cases the quantities specified in Schedule I are very small and (ii) it is difficult to know whether the name and address furnished by the purchaser are correct.

According to the Drugs Order, there are more than 8,000 items of which stocks are to be given and accounts of sale and purchases are to be kept. The specified quantities mentioned in the schedule of drugs are so small that the records will be very heavy. The amount of work and the cost of carrying out the provisions of the Order will be out of proportion to the nature and volume of business. The amount of routine labour and expenses involved in carrying out the provisions of the main clauses of the Order would place undue strain on ordinary merchants.

The aims and objects of the Order can be well served if the return of stock is to be made of about principal 60 items instead of more than 8,000 items. In order to avoid the hardships, the Committee suggest that the note to Schedule I should be omitted, thereby narrowing the scope of the Order to the main items of drugs or medicines.

APPENDIX 94

Control of Drugs Prices

Letter No. 2510 dated 15th September 1943 from Chamber to Department of Industries & Civil Supplies, New Delhi.

I am directed by my Committee to invite your attention to the press reports that Government intend to control the prices of drugs and medicines and in the deliberations the Government invited the participation of pharmaceutical interests. The Government, it seems from press reports, intend to set up a Panel for the control of prices.

In the deliberations for this purpose, the Indian dealers in drugs were not invited. Most of the trade in drugs in India is carried on by Indian dealers. Hence in any scheme that may be evolved for the control of prices of drugs the Indian dealers ought to be invited to participate.

The Chemists & Druggists' Association of Bombay is an important Association of Indian dealers. The Association is representing the interest of distributors of drugs. Whenever the Government have controlled other commodities, they have adopted the principle of consulting the distributors and so it

is desired by the Committee of the Chamber that for the protection of the interests of the trade, it is necessary that the Chemists & Druggists' Association which represents the largest importers and the largest distributors all over India, should be given an adequate representation on the Panel which is proposed to be set up in order that there may be an effective and harmonious working of any scheme that may be laid down for the control of prices.

APPENDIX 95

Indian Stores Department Tenders' and Manufacturers' Invoices*

Letter No. S(43)542 dated 20th January 1943 from Supply Department, Government of India to Chamber.

I am directed to refer to your letter No. 3427, dated the 8th October 1942, to the Hon'ble Sir Homi Mody.

I am to say that the delay in the payment of the bills of Messrs. Shalebhoy Tyebji & Sons was due mainly to an unfortunate misunderstanding on the part of the firm and the office of the Controller of Supplies. As payment has already been made in full, the Government of India do not propose to pursue the matter any further.

2. As regards the general question of the insertion of the Standard Book Examination Clause in tenders and contracts of the Supply Department, the position of the Government of India has, perhaps, not been clearly explained to your Chamber. You are no doubt aware that the Government possess general powers under the Defence of India Rules to examine accounts and to insist upon the production of documents, etc., an example of which will be found in the " Undertakings (Charges and Accounts) Order, 1941 " which was published in the *Gazette of India* dated the 8th March 1941. The Government of India naturally cannot derogate from their statutory powers, and must, therefore, continue to insist on the inclusion of the Standard Book Examination Clause in all invitations to tender issued by the Supply Department. It does not, however, follow that

* For previous correspondence see Report 1942, page 439.

the clause would be retained in each and every contract. Without prejudice to the statutory powers referred to above, I am to state that the application of the Book Examination Clause will be governed by the following conditions :—

(*a*) It is not the intention of the Government to make use of this clause in the case of contracts entered into as a result of competitive tenders, but only in the case of contracts entered into as the result of limited tenders and single tenders. Cases may, however, arise where the application of the clause to contracts entered into as a result of competitive tenders may become necessary either to settle claims of suppliers for revision of the contract price, or to assist in future negotiations.

(*b*) It will generally be acted upon when the authorities require to check prices in the absence of other checks.

(*c*) It will not be used for revising a price already fixed under a contract unless such revision is expressly provided for in the conditions of contracts.

(*d*) It will not be used in such a way as to cause payment bills to be unusually withheld or delayed.

8. The Government of India trust that in the light of the assurances given above, your Chamber will have no further objection to the Book Examination Clause being included in invitations to tender issued by the Supply Department. The original papers* received with your letter regarding Messrs. Shalebhoy Tyebji & Sons are returned herewith.

APPENDIX 96

Freezing and Requisitioning Orders

Letter No. 2581 dated 22nd September 1943 from Chamber to Department of Supply.

I am directed to address you in connection with the various difficulties that the merchant community is experiencing with the Supply Department in respect of practices such as freezing of stocks, requisitioning of goods, demand for the production of manufacturers' invoices and other documents and the basis adopted by the Department in fixing prices for requisitioned supplies.

* Papers at Slip C.

My Committee had occasion to place these difficulties before the Hon'ble Sir Hormusji P. Mody, K.B.E., the then Supply Member in January last when he assured the Committee that the grievances in respect of the above practices would be looked into and relief granted wherever possible, by Government. As my Committee still continue to receive complaints in this connection, I have once again to draw your attention to the following specific complaints.

Freezing Orders

The Controllers at different ports are issuing freezing orders with regard to imported goods arriving at ports if such goods are likely to be of use to Government. The period of the freezing orders in this connection, however, begins from the time full particulars are supplied about the landed cost, etc. If any survey is found necessary with regard to such goods sometimes it takes even one month before the freezing order begins to function, the period of functioning being generally 30 days. This period is also subject to extension in certain cases. My Committee submit that all this delay in applying the freezing order adds to the difficulty of the importers. After this the requisition order is served on the importer and after despatches are completed it takes many more months to get vouchers verified in the Cost Accounts Department and passed for payment. Sometimes the final value of the goods is received by the importers after 7 or 8 months or even a year after the arrival of the goods. Obviously, the importer has, in the meanwhile, suffered in overhead charges, interest on capital invested, etc. With a view to relieve the difficulties of the importers, it is suggested that the requisition order should definitely be issued within a fortnight from the date of the freezing order and, as soon as despatches are completed, arrangements must be made for payment of the value of the goods.

Complaints are also received in this connection that such freezing orders are served on certain business houses leaving out others who also may be holding stocks of goods requisitioned. It is suggested that such orders should apply universally to all merchants and dealers and should be published in the Government *Gazette*.

There is another complaint with regard to the requisitioning of imported stocks which are, in some cases, found to be priced lower than similar products of indigenous make. In such a contingency the Department selects to purchase imported stocks and pays on the basis of invoiced prices, irrespective of the market rates ruling at the time. It is but fair for the Department in such cases to buy over indigenous goods also or else pay on the basis of the prices ruling in the market.

Production of Manufacturers' Invoices and other Documents

In spite of the assurances given by Sir Homi Mody that manufacturers' invoices and documents would be called for only in very rare cases, and only in cases of contracts entered into as a result of single or limited orders, instances have been brought to our notice of calling for manufacturers' invoices and other documents to settle the prices of goods for which tenders have been issued. The Department is still in the habit of calling for documents even in cases where genuine competitive tenders have been submitted and accepted. My Committee are of opinion that such irrelevant demand for the production of documents frustrates the object of the system of purchasing goods by the issue of tenders. Such a procedure should also be considered as against the spirit of the sanctity of the contract. Due consideration must also be given to the factor of replacement value in case of such requisitioned goods and the necessary margin thereof should be allowed to the suppliers. Further, my Committee emphatically submit that in case of accepted tenders the practice of calling for documents should be abandoned.

It is also urged that in fixing the prices payable for requisitioned goods due account should be taken of the essential incidental expenses, establishment charges, etc. in determining the margin to be allowed over the landed cost. In no case should the price paid to merchants for the requisitioned stock be less than what the Department might have paid previously to other merchants for similar class of goods.

Letter No. M8(54)|43 dated 17th November 1943 from Supply Department, Government of India to Chamber.

I am directed to refer to your letter No. 2581 of the 22nd September 1943 in which you make the following suggestions :—

(i) that the requisition order should definitely be issued within a fortnight from the date of the freezing order and, as soon as despatches are completed, arrangements should be made for the payment of the value of the goods so requisitioned;

(ii) that freezing orders should apply to all merchants and dealers and should also be published in the *Gazette of India*;

(iii) that (*a*) indigenous goods should be requisitioned in preference to similar imported stores and the latter, if requisitioned, should be paid for at a rate not less than the market rate for similar indigenous goods;

(*b*) in determining compensation, due account should be taken of essential incidental expenses, e.g. establishment charges, etc. plus a fair margin for profit;

(*c*) the payment made to a stockist should not be lower than that made to another on an earlier occasion;

(*d*) due consideration should be given to the factor of replacement value in the case of requisitioned goods; and

(iv) that the production of manufacturers' invoices and other documents to settle the prices of goods for which competitive tenders have been issued should be stopped.

2. The Government of India have given careful consideration to all these suggestions and I am to convey *seriatim* the following observations :—

(i) The Government of India have decided that the freezing period shall commence from the date on which complete information about the stores is available. They consider that in practice this will reduce the total period during which the stores remain frozen. While in

a few cases, a comparatively long period may be required for the supply of the particulars, and the resultant delay may be unavoidable, the Government of India believe that in most cases, the period for furnishing the required particulars by the firms must be considerably shorter. A period of about a week is generally allowed for the particulars precedent to requisitioning and the Government of India rely on the fact that, as it is in the interest of the firms themselves to furnish the information as quickly as possible, steps are taken by them to eliminate all avoidable delay. The Government of India have laid down strict orders that the first freezing period of 15 days, when it commences after the particulars are received, should not be exceeded except for special reasons and after scrutiny by a senior officer. I am to add for the information of your Chamber that the Controllers of Supplies at different stations have now been authorized to issue requisitioning orders which have hitherto been issued mainly by Branch Secretariats of this Department at New Delhi and Calcutta and this should further reduce, in many cases, the normal period intervening between freezing and requisitioning at those stations. The time taken by Government for the payment of compensation for the stores acquired is conditioned by the promptness with which the necessary particulars regarding prices, etc. are furnished to the authorities and I am to request that you will kindly bring to the notice of those concerned the need of early compliance with the demands so made. The Government of India are prepared to examine any cases that may be brought to their notice regarding unnecessary prolonging of freezing periods or of delaying orders for requisitioning or of payment of compensation.

(ii) This point was discussed by a Committee of your Chamber with Sir Homi Mody in February 1943. A freezing order is served only in respect of stocks that are known or believed to exist and approximately to the extent these are needed. It is possible that some

merchants may escape service because the authority making the order is not aware of their stocks. The Government of India do not consider it feasible to make arrangements to cover all such cases. The publication of an order in the *Gazette* for general application may entail undue hardship on small dealers and may unnecessarily lock up more stores than are required by Government.

(iii) There seems to be some misapprehension with regard to the price paid for acquired stores. What the Government of India are required to pay is *compensation* for the compulsory acquisition and this is related to the cost that the owner incurred in purchase of the stores and the incidental charges connected with that purchase and for stocking them. A reasonable percentage is also added for profit. No requisitioning is necessary for stores which are available at reasonable rates in the market.

The Government of India are unable to understand the distinction you make between indigenous and imported stores. The import of stores into India is, as you are aware, strictly limited by the Import Trade Control, particularly in cases where indigenous capacity is substantially available for requirements of the country. In any case, as explained above, compensation for acquired stores is related to actual costs of the particular stocks rather than to their value in the market and may, in consequence, result in somewhat differing compensation for similar articles of different manufacture, imported or indigenous, as also between stockist and stockist, and from place to place.

As regards the physical replacement of stores requisitioned, I am to say that your Chamber will no doubt realize that this is hardly feasible where such stores are in so short a supply as to necessitate requisitioning. The Government of India do not find it practicable to adopt such a practice. They have, however, done so in a few cases where replacement was really necessary to enable the owner to carry on his business.

(iv) Your attention is invited, in this connection, to item 4 of the record prepared by your Chamber of the interview with Sir Homi Mody who stated that manufacturers' invoices are called for only in rare cases. He asked for particulars of any bad cases and the Government of India note that you have quoted no such instances. The position has already been fully explained to you in para. 2 of this Department letter No. S. 43(542), dated the 20th January 1943.

APPENDIX 97

Consignment of Hydroquinone Requisitioned by the Government of India

Letter No. 3248 dated 17th December 1943 from Chamber to Supply Department, Government of India.

I am directed by my Committee to refer to the difference in price fixed by the Controller of Purchases, Department of Supply, in connection with the above lot of Hydroquinone out of which 500 lbs. of the chemical were purchased by your Department and the price demanded for the same by the importers. The facts of the case, briefly stated, are as under :—

The above lot was imported by Messrs. Fazalbhoy, Ltd., on behalf of the Famous Cine Laboratory for the use of the Department of Broadcasting for producing propaganda films. The importers after having undergone considerable difficulty had secured priority for such import which was effected by the help of the Government of India who had recommended special priority for the same by telegrams addressed to the London authorities. On arrival of the goods in April 1943, a freezing order was served which lasted for about three months. By arrangement with the authorities here the importers were able to release 500 lbs. of the chemical to the Famous Cine Laboratory and the remaining stock was purchased by the Supply Department. The price quoted by the importers for the stock purchased by the Supply Department was Rs. 12/8 per lb. net, which included the landed cost in addition to the various overhead charges incurred by the importers. Their total bill amounted to Rs. 6,250 net while the Controller of Purchases fixed com-

pensation at Rs. 4,590/14/9 according to which the importers would secure about Rs. 9 per lb. as price. The importers maintain that on the basis of their landed cost and particulars of their overhead charges, Rs. 6250 net, claimed by them is fair and reasonable. It is, therefore, necessary that the party should be permitted to place their bill and their detailed statement of the case before your Department. My Committee feel, in this connection, that the price quoted by Messrs. Fazalbhoy, Ltd., viz. Rs. 12/8 per lb. includes a marginal profit for their labour and surely does not amount to a black market price for the article which should be near about Rs. 45-50 per lb. Under the circumstances, my Committee urge that the case of the importers may be reconsidered sympathetically by your Department.

APPENDIX 98

Diverted Cargo Legally Purchased Treated as Frustrated Cargo

Telegram dated 18th February 1944 from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber have their attention drawn to a transaction entered into by Messrs. Dawood Haji Nasser & Co., a member of this Chamber. A consignment of woollen piecegoods was sent from London to Hongkong in 1941 and was diverted to Karachi owing entry of Japan into war. Messrs. Nasser purchased through exporters' agents in Bombay and paid for said goods and later sold a part thereof to a local firm. The remaining portion kept by them in bonded warehouse at Karachi is now ordered to be handed over to Anglo-Dutch Frustrated Cargo Committee which is authorized to sell these goods and remit proceeds to London. Committee consider that procedure adopted is extremely unfair to the Indian merchants concerned. The cargo was not frustrated and Messrs. Nasser had purchased same with genuine good faith. It is, therefore, not fair to ask the Anglo-Dutch Committee to step in and authorize it to sell the goods and send remittance to London which will mean a heavy delay for Messrs. Nasser to get payment inflicting on them big financial loss and causing

disruption in business. Committee earnestly appeal to Government to be pleased to enquire into this matter and order the release of the goods in question.

Letter No. 1135 *dated 8th April* 1943 *from Chamber to Commerce Department, Government of India.*

Some time back your attention was drawn to a complaint from Messrs. Dawood Hajee Nasser & Co., Bombay, with regard to a part of cargo they had purchased from a steamer which was diverted from Hongkong to Karachi. For purposes of easy reference a copy of our telegram to you is enclosed. In reply Government asked for certain information, which has been supplied already.

In the meanwhile, we have received a letter from Messrs. S. Mitra & Co., a member of this Chamber, making practically a similar complaint as the one made by Messrs. Dawood Hajee Nasser. A copy of this letter is enclosed for information. My Committee request Government to be pleased to consider this letter alongside the complaint of Messrs. Dawood Hajee Nasser and arrive at a decision as soon as possible.

Letter No. 7181|*SIII*|43 *dated* 31*st December* 1943 *from Supply Department to Chamber.*

With reference to your letter No. 2848, dated the 22nd October 1943, to the Secretary to the Government of India, Department of Commerce, New Delhi, I am directed to say that the claim of Messrs. S Mitra & Co., for 8 cases of Nickle Sulphate has been assessed and the amount of compensation payable therefor has been intimated to them by the Controller of Supplies, Karachi. As soon as they execute an Indemnity Bond in the prescribed form and send it to the Controller, compensation money will be paid to them.

2. As regards the claim of Messrs. Dawood Hajee Nasser I am to say that the firm may be asked to intimate to the Comtroller of Supplies, Sind Circle, Karachi, the No. of the Bill of Lading covering the goods and also the name of the steamer by which they arrived, so that the claim of the firm may be traced.

APPENDIX 99

Requisitioning of Godowns by Government—Representative of the Chamber on Commercial Panel

Letter No. 926 dated 23rd March 1943 from Chamber to Finance Department (Supply), Government of Bombay.

The attention of the Committee of this Chamber has been drawn by the Bombay Grain Merchants' Association as well as by the Seeds Merchants that several grain and seeds merchants, specially the latter, have been served with notices by the Collector of Bombay to vacate and hand over vacant possession of godowns under their occupation forthwith to Government. This has happened not only now, but this is perhaps the third time that these merchants are asked to vacate the godowns they occupy peremptorily and at the shortest possible notice. A notice was served upon them in March 1942 while they were having their godowns in the Grain Depot at Sewri. It may be mentioned that accommodation at the godowns they then occupied were sufficient to hold about 15 lakhs of bags.

Even though it was very difficult to shift at short notice, the representatives of the Grain Merchants' Association as well as of other tenants had discussion with the Chairman, Bombay Port Trust, with the result that, after mutual consultation, necessary adjustments were made and the merchants were allotted bays in some other sheds, and accordingly, they shifted there. But they had to do so with great trouble, inconvenience and at sacrifice to themselves without any compensation for the expenses they had to incur. Then again, the new bays that were assigned to them had to be vacated in response to the requisition made by Government in July 1942 and November 1942. This time also, the representatives of the Grain Merchants' Association discussed the matter with the Chairman, Bombay Port Trust, explaining to him the position of the merchants and submitted a representation in December last requesting the Port Trust authorities to grant extension of time and to give compensation for the expenses that would be incurred by the merchants. It was also suggested that the newly constructed premises at the Ryan Grain Market should be made available to the merchants, including the two (out of in all five) bays

handed over to the military authorities. Ultimately, the suggestions of the Grain Merchants' Association were accepted, and accordingly, the merchants at Grain Depot shifted to the Ryan Grain Market, Dana Bunder. This time, however, the Port Trust authorities gave an assurance that the merchants would not be asked to vacate and shift again from this place in future. However, to the great astonishment and disappointment of the merchants, they are once more served with notices and asked to give up the possession of the bays under their occupation, and that too at a short notice. Again the space given to them in the Ryan Grain Market, Dana Bunder, where they are now asked to shift is not even one-fourth of the normal space occupied by them at the Grain Depot, Sewri.

My Committee, after fully considering the matter in all its aspects, feel that the position of the merchants should also be taken into account by Government before any final decision is taken by them in this regard. Government are perhaps well aware that under the existing conditions, there is acute shortage of accommodation for storage purposes, especially in the Dana Bunder locality, and the rents too have gone abnormally high, and even by paying such high rents, it is extremely difficult for the merchants to procure godowns anywhere in the area. Not only this, but, my Committee understand, the merchants are not allowed sufficient time to vacate and shift elsewhere, if they could at all do so. To my Committee also such orders on the part of the authorities concerned, do not appear reasonable in view of the difficulties of the merchants resulting from the situation prevailing at present. Further, it is said that at the present moment, places for storage in the Dana Bunder area are hardly available and under these circumstances, if the merchants are asked to vacate forthwith and shift elsewhere, it is next to impossible, and, my Committee do not know in what awkward position the merchants concerned would be placed. It is no easy task to vacate these godowns time after time, when they hold lakhs of bags.

Under the circumstances, the Committee of this Chamber are approached by the Grain and Seeds Merchants with a requisition to request Government to be pleased to give their immediate attention to this matter and to withdraw the notices

for vacating the godowns served upon the merchants concerned. My Committee feel that, before any such drastic and rigorous steps are taken it would be better if Government were to consult the Associations or the representatives of the merchants concerned, so that the views of the business community might be ascertained by them. My Committee hope that the needful will be done in the matter as soon as possible.

Letter No. D-C-S dated 29th March 1943 from Director of Civil Supplies, Bombay to Chamber.

Government has to consider the storage in Bombay of large quantities of foodgrains which are likely to be received in the near future under the Government of India Foodgrain Procurement Scheme.

In order to minimize the inconvenience to the commerce of the City involved in requisitioning of godown space for this purpose, Government desires to form a small Panel of Commercial Associations to advise both the Officers responsible for receiving such accommodation and the commercial interests affected as to how the accommodation can be arranged with least inconvenience.

It must be remembered that the feeding of Bombay City is of paramount importance to which normal trade interests must conform, but it is possible that by *inter se* readjustment of godown space by trade interests, the inconvenience of providing space for Bombay's food could be minimized.

As consignment of foodgrains are expected early, I am to ask for a very early reply.

I am to ask if the Indian Merchants' Chamber will nominate a representative on this Advisory Panel.

Letter No. 1111 dated 7th April 1943 from Chamber to Director of Civil Supplies, Bombay

I am directed to acknowledge receipt of your letter No. D-C-S, dated the 29th March 1943, on the above subject, and in reply to inform you that my Committee have nominated Seth Mathuradas Vissanji as their representative on the Commercial Panel to advise Government on matters connected with requisitioning of godown accommodation. His address :—

9, Wallace Street, Fort,
Bombay.

Letter No. 3255 dated 18th December 1943 from Chamber to Finance (Supply) Department, Government of Bombay.

I am directed by the Committee of this Chamber to draw the attention of Government to the acute shortage of godown accommodation that is now being felt by the business community in Bombay. The position with regard to shortage of godown space has worsened in recent months owing to the fact that the requirements of the Supply Department of the Government of India have increased to a very large extent and in order to meet their increased requirements they have adopted a policy of requisitioning spaces for godown purposes, with detrimental effect on the interests of the trading community. Further, after the introduction of rationing in the City, the Government of Bombay have found it necessary to carry large stocks of foodgrains, with the result that they have also felt the necessity for providing increased storage accommodation.

My Committee beg to state that the demand of the Central and Provincial Governments for godown spaces have created a serious shortage for the business community who are left without adequate accommodation for goods intended for civilian consumption. The fact that the population of Bombay has recently experienced a considerable rise is reflected by the phenomenal increase in the demand for consumable goods and it is natural that the traders and businessmen should have adequate storage facilities in order to meet the civilian demand. My Committee, therefore, beg to suggest that the Government of Bombay should build godowns for storing foodgrains, etc. so that the situation arising out of the shortage of godown space may be relieved to a certain extent. The success of rationing depends on the satisfactory supply of rationed articles, and it is quite in the fitness of things that Government should carry large stocks of such articles. They should, therefore, have sufficient storage accommodation and my Committee feel that if Government themselves construct their own godowns, the mercantile community will have at its disposal additional facilities for godowns. They suggest also that in cases where such godowns are constructed by private parties for the use of Government a very high priority should be procured for cement, bricks, tiles and such other constructional materials. My Committee realize

that such construction would involve large expenses to Government, but having regard to the serious shortage of godown accommodation that is being felt at present, and also to the relief that such construction of additional godowns would bring, financial considerations of the above nature should not come in the way of Government. My Committee hope and trust that Government will favourably consider their above suggestion and thus provide the business community with the desired facility.

APPENDIX 100

Assistance to Shuttle Manufacturing Industry

Letter No. 409 dated 4th February 1943 from Chamber to Commerce Department, Government of India.

The Shuttle Manufacturers' Association has forwarded to my Committee a copy of their representation to Government dated the 24th October 1941 regarding assistance required by the shuttle manufacturers in the country as also a copy of the reply dated the 22nd June 1942, No. 261-T(2)/41 from Government. Government, unfortunately, have not been pleased to accept some of the suggestions made by the Association. As the question, however, is of great importance and also involves some issues of principles, I am desired by my Committee to address you in the matter with a view to the position being reconsidered. The requirements of the industry, as conveyed in the said representation, may be briefly stated.

1. As Government are aware, this industry is dependent for its main raw materials, viz. Cornelwood Blocks and fittings, on imported sources. Indian wood of the required quality is not available—a factor which has been recognized by Government also. In the circumstances, the industry must be enabled to continue to get regularly supplies of its requirements from imported sources. In these days of shipping and import control, without Government assistance in the shape of priority and essentiality certificates, such imports will not normally be possible and it is, therefore, necessary for Government to agree to give to those supplying the industry with the material the necessary facilities for importing the same. In this connection, my Committee are also given to understand that the Priority Assist-

ance Advisory Panel attached to the Cotton Textile Directorate at one time expressed the opinion that having regard to the present shipping position, it would conduce to a more economical use of the available space if complete shuttles were imported in place of wood, etc. for making shuttles here. This is an extremely short-sighted view to take; in fact, even in war-times the necessity of encouraging as much industrial production within the country as possible has been recognized and my Committee hope that the above view expressed by the Panel will have no influence on Government in dealing with applications for imports. As a matter of fact, however, my Committee are given to understand that there would be in actual practice no wastage in shipping space by importing blocks. One case containing 5 gross of 13 1/3 in. finished shuttles, measuring 42 in. x 32 in. x 24 in. would take up 18.66 c.ft. against this 5 gross of shuttle blocks for 13 1/3 in. size shuttles, each measuring 12 1/2 in. x 1.3/8 in. packed in gunny bags would take up 12.50 c.ft. Making an allowance of 25% for wastage of blocks and in size, i.e. 3.125 c.ft. and adding thereto the space that would be taken up by fittings, viz. 10 gross tips, 15 gross pot eyes, 5 gross springs, etc. (about 1.10 c.ft.), the total space required for blocks and fittings would be 16.725 c.ft. There is, thus, actually a saving in shipping space.

2. The industry has requested that the import duty of 25% levied on cornelwood blocks together with the surcharge of 20% thereon should be abolished as a measure of assistance to the industry. It is a well-recognized principle that raw materials essential for an industry not available in the country should be allowed free of duty or with as little duty as possible. This policy was advocated by the Indian Fiscal Commission also. My Committee had taken up this question with the Hon'ble the Commerce Member when he met them on 8th December 1942. They had stressed that raw materials essential for industry and ancillary materials and component parts used for any manufacturing process within the country should, as far as possible, be allowed to be imported free of duty, or at any rate, at a rate of duty not higher than the corresponding imported finished products. The Hon'ble Member promised sympathetic consideration for the suggestion. It is, therefore, requested that Government will be pleased to reconsider the matter.

3. The request of the industry for assistance in securing the services of skilled and technical personnel for manning the industry also requires to be looked at from a long-range point of view, and not to be disposed of summarily as Government seem to have done. The textile industry, judged from all points of view, is an industry essential for the successful prosecution of the war. Any ancillary industry which supplies the requirements of such a key industry, if my Committee may use that term, should be considered as equally important and should be entitled to all the assistance and facilities which would enable it to function efficiently. My Committee cannot help expressing that the views expressed by Government that " they cannot regard the manufacture in India of shuttles to be of immediate importance for war purposes and the present cannot, therefore, be regarded as an opportune time for embarking on such a training scheme " are not in keeping with the oft repeated assurances of Government of encouraging and assisting development of industries in India. Perhaps, under the Bevin's training scheme now in force arrangements for training some hands in the technique of this industry can also be included.

4. The other suggestion which has been made by the Association is in regard to the efforts for the growing of the suitable quality of wood required in the manufacturing of shuttles. My Committee realize that this is but an item of planning for the future. They are also aware that certain experiments were made at Dehra Dun in this connection. What they wish to emphasize is that the matter should not be allowed to rest there, but should be pursued with vigour so that the industry may not have to indefinitely depend on imported wood blocks for its requirements. At least, within a few years, India should be in a position to have her own growth of the particular type of wood required for the manufacture of shuttles. Incidentally, my Committee may please be furnished with information regarding the progress made in regard to experiments conducted at the Forest Research Institute, Dehra Dun.

In conclusion, my Committee would like to mention that over 8,000 gross of shuttles are imported for the requirements of the cotton textile industry and 5,000 gross shuttles for handlooms; the aggregate value of the imports amount to over Rs. 87

lakhs per annum. It is an important subsidiary industry and the demand, as above, would be permanent. As such, the question of giving the necessary assistance to the industry to enable it to develop to the extent of the full requirements of the country should readily appeal to Government and necessary steps taken to achieve that result.

It is hoped that Government will be pleased to give this matter their early and sympathetic consideration.

Letter No. 261-T(1)|43 dated 25th November 1943 from Commerce Department to Chamber.

I am directed to invite a reference to your letter No. 409 dated the 4th February 1943 on the above subject wherein you have made the following requests, namely :—

(1) that necessary import facilities should be granted for the imports of Cornelwood blocks required for the Shuttle-manufacturing industry;

(2) that the import duty on these blocks should be removed;

(3) that facilities for the training of some workmen for the industry in the English factories, should be provided; and

(4) that your Chamber should be furnished with the latest information on the experiments conducted by the Forest Research Institute for finding a suitable type of Indian wood for making shuttles.

2. As regards (1) above I am to say that the import restrictions are being so operated as not to hinder reasonable imports of woodblocks required for the industry and that requests for facilities in this connection will be favourably considered by Government.

3. With reference to your request for the removal of import duty on Cornelwood blocks, I am to say that the Government of India have given very careful consideration to the matter but regret that they cannot accede to it.

4. As regards your request referred to at (3) in paragraph 1 above, I am to say that the matter is still under consideration of the Government of India in the Labour Department and a

further communication will be sent to you by that Department in due course.

5. With regard to your last request, I am to say that no Indian timber has yet been found which comes up to the standard of quality of Cornelwood. There are substitute timbers, of which the light coloured sapwood of *Diospyros melanoxylon* (ebony) is the best Indian timber so far tested for shuttles; but these give a life of about 50 per cent of the life of Cornelwood. Further experiments in the matter are being conducted by the Forest Research Institute, Dehra Dun, in co-operation with the Director, Scientific and Industrial Research, Delhi, and you may get in touch with the President of the Institute for any further information that you may require on the point.

Letter No. 177 dated 24th January 1944 from Chamber to Commerce Department, Government of India.

I am directed to refer to your letter No. 261-T(1)/43 of the 25th November 1943 regarding the above. You mention therein that the import restrictions do not hinder reasonable imports of wooden blocks and requests for facilities for the import of the same will be favourably considered by Government. My Committee would like to submit that the experience of the manufacturers is otherwise. You are aware that the Priority Assistance Advisory Panel at one time opposed all applications for licences and priorities on the ground that importation of wooden blocks for shuttles occupied more shipping space than manufactured shuttles, but later this attitude was revised and they recommended the granting of provisional licences for the import of Cornelwood blocks for the requirements of the industry. Accordingly, the manufacturers got into communication with their exporters in U. S. A. and U. K. for the export of necessary blocks. They were, however, informed that all stocks were secured for export to England under the Lease-Lend and that no stocks were available for export to India. As a result of this, all the four factories working in India had practically to be closed down. The Committee have also been informed in this connection that goods meant for despatch from U. S. A. under licences granted before the Advisory Panel was constituted were also diverted to other ports. The Shuttle Manufacturers' Association had also requested the Textile

Directorate to make efforts for securing supplies under the Lease-Lend, but nothing seems to have been done in helping the shuttle manufacturing industry in spite of the fact that a considerable quantity of luxury articles found space for import into India. My Committee, under the circumstances, feel that something more is required of Government to help this industry by securing the raw material that they need. They suggest that some part of the stocks now lying in U. K. may be set apart for the use of the Indian industry and that arrangements may be made for the import of the same into India. The Committee regret that their request for the removal of import duty on Cornelwood blocks has been turned down by Government. It is but reasonable that such industries which require their raw materials to be imported from abroad should not be burdened with an import duty on such raw materials as it would be difficult for them to compete with the foreign manufacturers. They submit that there is a strong case for removal of this duty and that Government should reconsider the matter.

My Committee are thankful to Government for the experiments carried out by the Forest Research Institute in finding out a suitable substitute of Indian timber to replace the foreign Cornelwood blocks. They hope that further efforts will be made to grow Cornelwood in India in the interest of the industry.

APPENDIX 101

Supply Department Orders and Delay in Taking Delivery of Stores

Letter No. SBX-(2)|2021 dated 19th May 1943 from Supply Department to Chamber.

I am directed to say that the General Advisory Committee appointed to advise the Director-General, Munitions Production, on matters affecting the relations with commercial interests generally have called attention to the difficulties being experienced by contractors owing to the accumulation on their premises of completed stores for which facilities for despatch cannot be arranged properly due to the prevailing transport difficulties. It was suggested that these difficulties could be reduced by the establishment of a number of Central Depots under

the control of this Department, responsible for collecting supplies when ready and for arranging onward despatch to the ultimate consignee. The Government of India were unable to accept this suggestion as it was felt that the double handling and other complications arising from such an arrangement would not result in any general relief in the movement situation as a whole. Furthermore, it was understood that there have been some improvement in the situation in recent weeks, which if maintained, would make special measures unnecessary.

The members of the Committee, however, feel that the problem requires more detailed examination in the light of existing circumstances and this letter is addressed to you at their suggestion with the request that after such consultation with your members as you may consider necessary you will furnish Government with a factual appreciation of the present situation, with connected cases of *continuing* difficulties of the nature referred to and any suggestions you may have for a remedy.

Letter No. 2351 *dated* 28*th August* 1943 *from Chamber to Supply Department.*

I am directed to acknowledge receipt of your letter dated the 19th May desiring the views of my Committee in connection with the difficulties experienced by contractors regarding transport of Supply Department orders and hardships arising from delay in taking delivery of stores. My Committee, accordingly, sent a Circular amongst the members of the Chamber for the purpose of eliciting the nature of difficulties with regard to the accumulation of manufactured stores.

The replies to the above Circular reveal that the difficulties with regard to the manufactured stores accumulated as a result of the transport difficulties still continue for various reasons which are detailed as under:

1. The staff employed by Government for inspection of completed stores is not sufficient to cope with the work, as a result of which, the completed stores have to await inspection for a considerable time. It is suggested that the work of inspection should keep pace with the manufacture of stores meant to be supplied to the Supply Department.

2. After such inspection takes place, the Military Credit Notes have to be obtained with regard to the approved materials and it takes time before such Credit Notes are obtained from the authorities. It is, therefore, suggested that the Military Credit Notes should also be issued along with Inspection Certificates.

3. After having secured the Inspection Certificates and the Military Credit Notes, the Contractors are faced with the difficulty of securing booking of the goods at the Railways which is greatly hampered by many restrictions imposed by the Railways. Priority Certificates are required before such goods could be booked. This again imposes difficulty in quick transportation. As a matter of fact, Priority Certificates should not be required for goods covered by Military Credit Notes and the Railways should be instructed to freely book such goods.

4. It is also complained that loss occurs in transit as a result of pilferage or careless handling of packages by the Railways. Instructions should be issued by the Railways to their staff handling such goods to exercise more care, as otherwise, the Contractors are held responsible by the Supply Department for short delivery.

5. Booking is also refused by the Railways on the plea that the consignments fall short of full wagon loads. This difficulty should be removed in case of such Military Orders.

Certain suggestions made by the parties concerned, if carried out, would ease the situation arising out of the above difficulties. It is suggested that the Indian Stores Department should make arrangements to store completed goods in their own godowns and relieve Contractors from any further responsibility after taking such delivery. My Committee are given to understand that the Ordnance Department, Bombay, provides such a facility by taking delivery of completed goods, which may subsequently be transported by them to required destinations. It is also suggested that the military lorries plying within an area of 150 miles between Poona, Kirkee and Ambernath may be utilized for carrying the completed goods, thereby relieving the Railways to that extent.

My Committee, once again, beg to emphasize the delay in inspecting the manufactured goods. As a result of this delay, sometimes the goods are allowed to remain exposed for a considerable time in open yards awaiting inspection, which subjects them to the risk of deterioration. This difficulty acts as a constant hardship on the Contractors who have to bear the loss arising from such deterioration.

My Committee hope that the above difficulties will be taken into consideration and the suggestions above detailed would be given due consideration.

APPENDIX 102

Relaxation in the Control over and Distribution of Iron and Steel

Letter No. 1612 *dated* 27*th May* 1943 *from Chamber to Supply Department, Government of India.*

The Bengal Industries Association have forwarded to my Committee copies of correspondence that has passed between them and the Government of India (reference : your No.16859/WIII, dated 31st December 1942) regarding difficulties experienced in getting iron and steel materials for civil requirements on account of the present Control Order and the administration thereof. My Committee feel that there is considerable force in the case presented by the Association for relaxing the control on lines suggested by them. The whole output of iron and steel, including stocks available in the country, is controlled by Government, and consequently industries and village workers are experiencing difficulties in obtaining their requirements for essential repairs and extension. There is undoubtedly available, scattered in the country, good quantities of scrap metal which, under the existing circumstances, it is not possible to collect for purposes of re-rolling. The control prices are not deemed sufficiently attractive for either persuading the owners of scrap to surrender the same or for making a sustained effort for gathering the scrap and converting it into material ready for use. The capacity of the existing rolling mills and melting furnaces is also not being utilized for want of adequate supply of scrap.

In view of the above state of affairs, there would certainly be a considerable improvement in the position, if the suggestion made by the Association that, with a view to attract the large quantity of scrap available in the country in scattered lots, the re-rolling mills and furnace owners be allowed to obtain and acquire the same without control, i.e. by offering higher prices and consequently by also being allowed to sell the finished products manufactured from such scrap for civilian consumption also without control, is accepted. If this is done, small industries and village workers can get their requirements of iron and steel materials in larger quantities at prices which, even if they are slightly higher in relation to the present official control prices, would be considerably less than the prices that have to be paid in the black market.

My Committee request that Government will be pleased to reconsider the matter and to take such practical steps as would attract scrap, going waste in different parts of the country, being offered for purposes of re-rolling, thus increasing the output of iron and steel available for civilian consumption.

Letter No. WIII-3(415) dated 9th June 1943 from Supply Department to Chamber.

I am directed to refer to your letter No. 1612, dated the 27th May 1943, and to say that Government have reconsidered the matter and regret that they are unable to alter their previous decision.

2. Proper control over iron and steel uses cannot be secured unless all transfers of steel in quantities exceeding those allowed by Government without licence are subject to official authorization. Steel is too vital a commodity for war purposes to justify the raising of the limit of transfers which are permitted without licence.

APPENDIX 103

Iron and Steel Control Order

Letter No. 3301 dated 27th December 1943 from Chamber to Supply Department, Government of India.

I am directed to refer to the representation made to your Department by the Karachi Iron & Steel Hardware Merchants'

Association wherein it has been complained that the police are subjecting respectable iron merchants to harassment for alleged breach of the Iron & Steel Control Order under the Defence of India Rules. In the representation above referred to, mention is made of a case in the Court of the City Magistrate, Karachi, whereunder a merchant was charged for moving iron goods which came under the restricted categories. The accused, however, was let off on the evidence tendered by the Deputy Iron & Steel Controller of that area to the effect that the goods in question did not fall under the restricted categories. From the above, it will be evident that the police, not being technically well informed about the iron trade or the working of the Order, are not the proper prosecuting authorities in such cases. My Committee are aware that the Defence of India Rules have sufficiently provided against cognizance of such cases being taken by the police. If, however, the police are allowed to handle, investigate and proceed with such alleged breaches under the Iron & Steel Control Order, Government should provide against undue harassment of respectable merchants, having regard to the fact that the police are not expected to have knowledge of the technicalities of the iron trade. With this end in view, it may be provided that the cases filed by the police in this connection may be withdrawn when necessary provided the police and the authorities in charge of the operation of the Iron & Steel Control Order are convinced that the accused are wrongly charged and that no action is necessary in respect of the cases filed.

Here it may be pointed out that my Committee are not suggesting any encroachment upon the powers of the judiciary. They have made the above suggestion only under the special circumstances where exercise of technical knowledge is concerned.

My Committee, therefore, beg to request Government that under the above circumstances, some machinery may be provided whereby the cases filed under the above Order, for alleged breach of the same, may be allowed to be withdrawn provided the prosecuting authorities are satisfied that there was no cause for action.

APPENDIX 104

Pipe Control Order

Letter No. 3150 dated 4th December 1943 from Chamber to Supply Department, Government of India.

The attention of my Committee has been drawn to the difficulties experienced by merchants dealing in pipes and fittings, as also by the consumers in getting requirements of pipes from time to time, on account of the position created by the control of trade in pipes under the above Order. The control was instituted in November 1942 and all the supplies available in the market were, in consequence, " frozen ", it being provided that no producer, importer or stockholder shall sell or otherwise dispose of any pipes except in accordance with the written authorization obtained from the Controller.

Thus the freezing order has been in existence for over one year. Whatever might have been the position of supply of pipes and the condition of the market in pipes at the time the Order was introduced, the same has since then undergone considerable change. My Committee are given to understand that large supplies of pipes have been acquired and imported on Government account and so far as governmental and priority requirements connected with war work are concerned, the requirements of pipes are being met from such imported Lease-Lend stocks. There is, therefore, no justification for continuing the existing freezing order, thereby preventing the normal machinery of trade to function. In view of the improvement in the supply position, my Committee earnestly urge that the existing control should be so modified as to facilitate the normal requirements of civilian consumers being met without any difficulty and without existing formality of individual applications for permits, etc. My Committee understand that ordinary consumers, who are in urgent need of pipes for normal works in the shape of repairs, renewals, etc., generally fight shy of the cumbersome procedure of having to apply for formal permission, then get a release, etc. and instead prefer to purchase their requirements from the black market even if they have to pay much higher prices. The continued freezing of stocks with merchants doing *bona fide* business has thus facilitated the development of

a black market and unless Government take early steps to end the present uncertainty, the traders in pipes and fittings and the ordinary consumers would be unnecessarily inconvenienced.

If, however, Government are unable to see their way to release the frozen stocks, it is but fair that they should acquire the stocks of supplies which have been frozen for over one year and pay for the same reasonable prices after taking into account all the overhead expenses and other incidental charges incurred by stockholders during all this period.

It is hoped that Government will be pleased to take action in the matter.

Letter No. WIII-3(410) dated 16th December 1943 from Supply Department to Chamber.

I am directed to refer to your letter No. 3150 dated the 4th/6th December and to say that it is obviously based on a complete misunderstanding of the Pipes Control Order and the procedure adopted thereunder by the Pipe Controller. The Pipe Control Order requires that no pipes may be sold or otherwise disposed of except with the written authorization of the Pipe Controller. Authorizations are issued by the Controller on the certificate of the prescribed certifying authorities for different purposes. Small and urgent demands can also be authorized by the Controllers of Supplies of the different circles.

You will, therefore, appreciate that the Pipes Control Order is not the same thing as an *ad hoc* freezing order which is issued in respect of particular named stocks with a view to requisitioning and acquisition in due course and there is no obligation on the Government to acquire all available stocks of pipes in the country.

2. As regards the importation of pipes under Lease and Lend procedure, I am to explain that these imports are allowed by the American authorities only on the understanding that the Indian stocks are strictly controlled and used only for war and essential civil needs. The Government of India are satisfied that the present stock position in the country including Lease-Lend imports does not warrant any relaxation of control over pipes, and there is no hope of the abrogation of the Pipes

Control Order until conditions become more normal some time after the war.

APPENDIX 105

Wire for Manufacturing Pickers, etc.

Letter No. 1604 dated 27th May 1943 from Chamber to Chief Controller of Imports, Delhi.

Messrs. H. Mansuri & Sons, a Member-Firm of this Chamber engaged in the manufacture of pickers, buffers and other textile accessories, have complained to my Committee that they are experiencing considerable difficulties in carrying their manufacturing activities on account of the inadequacy of supplies of wire required in such manufacturing process. It may be mentioned, in this connection, that in the manufacture of pickers and buffers used on weaving looms of all kind, viz. cotton, woollen, silk, jute, etc. wire is an essential component part and the same cannot be replaced by any other substitute. It will be appreciated, therefore, that if an adequate supply of wire is not made available to such manufacturers, their manufacturing activities would be crippled with consequent inconvenience to the industries using such stores. The Firm in question had represented their case to the Deputy Director-General, Cotton Textiles, Bombay, and they were recommended a quota of supply of 2½ tons each for II, III and IV quarters of the year 1943. It appears, however, that they have been only granted a licence for 2 tons of wire obtainable in the IV quarter of the year. The manufacturers are in urgent requirement of wire supplies, and if they are not immediately enabled to get the same by the grant of necessary licences, they will be put to serious difficulties.

My Committee, therefore, request that Government will be pleased to look into the matter and to immediately grant them necessary licence at least for the quantity as recommended by the Deputy Director-General, Cotton Textiles, Bombay.

Letter No. I.S.4345-D|43 dated 23rd June 1943 from Steel Controller to Chamber.

Reference your letter No. 1604, dated the 27th May 1943.

Owing to acute shortage of supplies, it is regretted that it is not possible to add to the tonnage already licensed to Messrs.

H. Mansuri and Sons, Ahmedabad, and in this connection a copy of this office letter No. I.S.2817-D/43, dated the 9th June 1943 addressed to the firm is enclosed for your information.

However, if any balance of quota under wire is left over, a compensatory licence will be issued in period IV of 1943, because no licence was issued to the firm in period III of 1943.

No licence for wire to any manufacturer of pickers and buffers and other textile accessories was possible in period II of 1943, as no wire was included in our quota in that period.

Copy of letter No. I.S.3817-D/43 dated the 9th June 1943 from Steel Controller (Civil Supplies), Department of Industries and Civil Supplies, Simla, to Messrs. H. Mansuri, Post Box No. 84, Ahmedabad.

Reference letter No. CX2/PS1205/12213, dated the 6th May 1943, from the Deputy Director-General of Cotton Textiles, Bombay, to this office. Copy to you.

Owing to acute shortage of supplies it is regretted that it is not possible to add to the tonnage already licensed to you for period IV of 1943. Similar tonnages will be issued in each subsequent period subject to availability.

APPENDIX 106

Supply of Electrical Energy to Rice and Flour Mills at Panvel

Letter No. 558 dated 19th February 1943 from Chamber to P.W.D., Bombay.

I am directed to draw the attention of Government to complaints received by my Committee in regard to restrictions imposed on certain electrical companies in the matter of supply of electrical energy. It is stated that due to shortage of diesel oil, Government have been compelled to ask the generating companies to reduce their supply of energy; but my Committee beg to state that this argument does not hold good in the case of a pertinent instance brought to their notice. The Panvel Taluka Electrical Development Co., Ltd., have been prohibited from supplying electrical energy for working rice and flour mills at Panvel. It may be pointed out that the above Company got its supply of power from the Tata Hydro-Electric Co., Ltd., and, therefore, the question of shortage of diesel

oil did not arise in their case. My Committee, therefore, request Government to remove the restrictions placed on the said Company and to allow them to supply electrical energy to rice and flour mills at Panvel.

My Committee are well aware of the anxiety of Government to remove the present scarcity of foodstuffs in Bombay. In this connection it may be mentioned that Panvel is at a distance of 40 miles from Bombay by road and about 15 miles by sea, and, as it is so near, it is an important centre for the supply of rice, flour, etc. to Bombay. The removal of restrictions placed on the Electrical Company will enable the mills to despatch these foodstuffs to Bombay, which will relieve the acute situation in the City to a certain extent. My Committee, therefore, hope that Government in view of the above consideration of the supply of essential foodstuffs to Bombay, will be pleased to rescind their orders and allow the Company to supply electrical energy freely to rice and flour mills at Panvel.

Letter No. S.59|35|784-El. dated 30th April 1943 from P.W.D. to Chamber.

I am to refer to your letter No. 557, dated the 19th February 1943, and to observe that apart from the diesel oil control all Electricity Supply Undertakings in this Province including the Panvel Taluka Electrical Development Company, Limited, are subject to the Electricity Control Order served by the Government of India which, subject to certain provisions, prohibits them from giving any new supply or increase in the existing supply of electricity except with a permit from the appropriate authority. The Electricity Control Order is primarily intended to conserve available stocks of electrical equipment for essential purposes, i.e. furtherance of war effort. No general permission to give supply to the rice and flour mills can, therefore, be given to the Panvel Taluka Electrical Development Company, Limited, but each application will be considered on its merit.

2. Out of the five applications, which were received in July last from the abovementioned Company for permission to supply electric power to certain rice mills at Panvel and were refused, supply has subsequently been permitted in two cases

and it has been ascertained that the remaining three rice mills are working on crude oil.

APPENDIX 107

Diesel Oil Ration and Stoppage of Electric Supply

Letter No. 558 *dated* 19*th February* 1943 *from Chamber to P.W.D., Bombay.*

I am directed to refer to your correspondence on the above subject resting with your letter No. 1932/36-19, dated 3rd October 1942. My Committee were informed by Government that there was no discrimination between large and small towns in the matter of imposing restrictions on power-generating companies regarding supply of electrical energy; whereas my Committee understand that the position of small companies *vis-a-vis* large concerns is far from satisfactory. They are informed that, while on the one hand larger undertakings are permitted unlimited supply of energy on the plea that the same is necessary for essential war production and railways and other services, on the other hand, smaller concerns are handicapped by restrictions which are mainly imposed on them. Further the small electric supply companies are not permitted to give new connections. It is also learnt that, with a view to reduce the load, Government propose to cut down the number of street lights in smaller towns. My Committee need hardly emphasize that the needs of smaller towns are as essential and important as those of larger towns and they do not see any justification for the unfair and discriminatory treatment accorded to smaller towns. In fairness to the industrial interests in particular and residents in general of smaller towns, my Committee request that Government should immediately withdraw all discriminatory orders and all smaller concerns should be placed on a par with larger undertakings, and the former should be allowed to enjoy all the privileges enjoyed by the latter.

In this connection, my Committee beg to point out that of late they have been receiving complaints from members of the Chamber with regard to supply of electrical energy. They, therefore, feel that this Chamber should have a representation

on the Power Control Board, with a view to place before the Control Board the viewpoint of the Chamber. My Committee request that Government will be pleased to ask the Chamber to nominate a representative on the said Board.

Letter No. 1932/36-M dated 29th March 1943 from P.W.D., Bombay, to Chamber.

With reference to your letter No. 558, dated the 19th February 1943, I am to inform you that as already intimated in Government Letter No. 1932/36-M, dated the 3rd October 1942, no discrimination is made between large and small towns *per se* but the classification of the various electricity supply undertakings, run on diesel oil, has been based on the importance of the load and the hours of supply restricted accordingly; that position still holds good.

2. The restriction in the hours of supply has been necessitated by the shortage of diesel oil and for the same reason further steps such as banning display lights, reduction in street lighting, etc. have had to be taken to secure further reduction in the use of diesel oil by the electricity supply undertakings. The orders issued to the District Magistrates in this connection are general ones and discretion is given to them to give exemptions in cases in which they consider such exemptions are really justified. Government sees no reason to alter these orders.

3. As regards your statement that small electric supply companies are not permitted to give new connections, I am to point out that *all* public electricity supply undertakings in this Province are prevented under the control order served on them by the Government of India from giving new connections without a permit from the appropriate authority and such permits are granted only if the essentiality of the supply is established in accordance with the conditions prescribed by the Government of India.

4. With reference to your request for representation on the Power Control Board I am to inform you that under the control order referred to in the preceding paragraph all applications for requirements in excess of 50 K.W. are disposed of finally by the Central Electric Power Control Board, New Delhi, and those for requirements not exceeding 50 K.W. by the local Government. So far as this Government is concerned no Board

has been considered necessary. The question of any representation does not, therefore, arise. The Central Electric Power Control Board is under the Government of India, in the Department of Labour.

APPENDIX 108

Supply of Electrical Energy to Amalner

Letter No. 3159 dated 6th December 1943 from Chamber to P.W.D., Bombay.

The attention of my Committee has been drawn to the inconveniences and difficulties experienced by the citizens of Amalner in general and by trade and industrial undertakings in particular on account of the restriction in the hours of supply of electrical energy under orders from Government. They have, in this connection, also seen a copy of the representation submitted to Government by the Amalner Electric Supply Co., Ltd.

With a view to meet the situation caused by the shortage of diesel oil Government have classified power stations into four groups namely, A, B, C, and D, and prescribed hours of supply of electrical energy on the basis of the above grouping. Amalner has been classified under Group D, the working hours permitted for which are the lowest on the schedule. According to this grouping the electrical undertaking there is allowed to supply electrical energy only for six hours and diesel oil is allotted to the company in question only on that basis.

From the statement of facts relating to the commercial, industrial and general importance of Amalner mentioned in the representation in question it would appear that Government had not given due consideration to the requirements of that town and that the classification given to the place was perhaps not proper. It would also appear that many other places of lesser importance have come to be grouped under a higher classification thereby entitling them to longer hours of supply.

Apart from the restriction in supply entailed by the above step to civilian consumers for lighting purposes, the curtailment in the hours of supply has almost brought about a complete stoppage of energy for power purposes to the industrial undertakings and other enterprises in that town. My Committee

understand that 17 flour mills which were previously working on electrical energy have now been compelled to make alternate arrangement. Supply of energy to a printing press, to a power loom, to water pumps, to hospitals, etc. had to be discontinued or seriously curtailed. The Municipal water and fire pumps cannot be operated during the hours of supply stoppage. Due to restrictions in hours of supply, energy for lighting cannot be supplied during the remaining period of the day. An oil crushing mill is reported to be finding difficulty in working longer hours because of this restriction in lighting hours.

Having regard to the hardship involved as above, my Committee request that Government will be pleased to reconsider the position and see their way to revise the classification given to the town of Amalner so that supply of energy for longer hours will be made possible. It is hoped that Government will be pleased to take early steps in that direction.

APPENDIX 109

Fuel Oil Rationing Committee

Letter No. 559 *dated* 19*th February* 1943 *from Chamber to Supply Department, Government of India.*

Complaints from members of this Chamber are being received by my Committee in the matter of rationing of fuel oil. The Government of India have instituted a Rationing Committee for fuel oil, whereon the Indian Merchants' Chamber is not represented. In view of the necessity of placing the grievances of industrialists and their viewpoint before the Fuel Oil Rationing Committee, it is very necessary that this Chamber should have representation on the same. I am desired to request Government to be pleased to ask the Chamber to nominate a representative on the said Committee.

*Letter No. PL-*1(153)/*II dated* 9*th April* 1943 *from Supply Department to Chamber.*

I am directed to refer to your letter No. 559 dated the 19th February 1943 on the subject of Fuel Oil Advisory Committee, and to say that the request of the Indian Merchants' Chamber to be allowed to have a representative on the Bombay Circle

Fuel Oil Rationing Committee has been considered by Government and the conclusion arrived at is that, if representation is permitted to one Chamber, claims by other Chambers of Commerce will be difficult to resist and if all claims were admitted the Committee would become too unwieldy for prompt and efficient discharge of business. In the circumstances, Government regrets its inability to accede to your request but has issued instructions to the Controller of Supplies that any complaints received from the Indian Merchants' Chamber or its members should be given due consideration and should be placed before the Fuel Oil Advisory Committee, so that grievances are properly redressed.

APPENDIX 110

Duties and Functions of the Controller of Coal Distribution

Telegram dated 4th October 1943 from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber request Government that the Controller of Coal Distribution should not interfere with normal trade activities by taking a direct interest in trade as thereby consumers have to pay higher prices and fulfilment of previous contracts was made difficult. The contemplated arrangement for the supply of coal to Textile Mills through the Textile Directorate may cause trade machinery to cease to function effectively. Supply and distribution of coal should be through the medium of ordinary trade channel only as any diversion may affect the parties in trade adversely. Activities of Controller of Coal Distribution should be confined to facilities for transport only.

Letter No. 3477-MC|43 dated 9th November 1943 from War Transport Board to Chamber.

I am directed to refer to your telegram dated the 4th October 1943 regarding the functions of the Controller of Coal Distribution and the Textile Directorate in regard to supplies of coal required for the Textile Industry and to say that although the Government of India agree that the distribution of coal should be maintained as far as possible through trade channels,

the present coal position in the country is such that rationalization and control are essential to ensure the equitable distribution of the coal available. As the Chamber is no doubt aware, a coal rationing scheme has recently been put into operation, under which a quota has been fixed for the Textile Industry. The quantities available under this quota are distributed to the mills concerned by the Coal Controller after ascertaining the wishes of the Textile Directorate. The Directorate is responsible for the control of the Textile Industry and is the authority best fitted to distribute the quota amongst the various mills. The Chamber may be assured that the Directorate will pay close attention to the interests of the Textile Industry and ensure that the system of control which has been found necessary will utilize existing trade channels as far as possible.

Telegram dated 19th November 1943 from Chamber to War Transport Board, Government of India.

Referring to your letter 3477 of 8th November while Committee have seen reports in the press that a coal rationing scheme has been put into operation they have no official intimation of the basis and details of the same. Committee would request Government to kindly furnish them with full details of the scheme. At the same time they cannot help regretting that Government did not think it necessary to consult trade and commercial interests in regard to the basis before the scheme was actually framed. Committee appreciate Government's desire that distribution of coal should be maintained as far as possible through trade channels, but they continue to receive complaints that the Controller of Coal Distribution who was mainly concerned with the question of facilities for transport is taking a direct interest in the trade by himself arranging for supplies to consumers thereby interfering with the proper functioning of normal trade channels. As a result of Controller's intercession consumers obliged to pay higher prices for coal and fulfilment of previous contracts made through ordinary mercantile channels being rendered difficult. Committee request that the Controller should not concern himself in arranging or acquiring supplies of coal such procurement being left completely to ordinary trade channels as in the past.

Letter No. C-MC(15)|43 dated 2nd December 1943 from War Transport Board to Chamber.

I am directed to refer to the correspondence ending with your telegram dated the 19th November 1943 on the subject noted above and to say that under the coal rationing scheme a monthly quota has been fixed for each industry in consultation with the Government Department concerned with the industry after taking into account past consumption, the essentiality of the industry and the availability of coal. Some further details concerning the scheme are contained in the enclosed extract from a reply given by the Hon'ble Member for War Transport to a question in the Legislative Assembly on the subject.

2. As regards the allegation that the Controller of Coal Distribution has himself made arrangements for supplies to consumers, I am to say that any such action taken by the Controller has been either at the request of the consumer on occasions when they have been unable to obtain their supplies from the contractors owing to shortage in production or in order to prevent coal supplied on priority being used for profiteering purposes in the black market and to control their supplies to secure an equitable distribution.

Subject to control in the above respect the Government of India agree that distribution of coal should be maintained through ordinary trade channels as far as possible.

Extract from reply given by the Hon'ble Sir Edward Benthall to a question in the Legislative Assembly by Mr. K. C. Neogy, on the 8th November 1943.

(c) The proposals referred to in my answer to part (*d*) of the Hon'ble Member's starred question No. 121 on the 30th July 1943, consisted in the main of the Coal Rationing Scheme which was alluded to in my answer to part (*a*) of his starred question No. 124 on the same day. This scheme has now been put into operation. To prepare the scheme it was necessary in the first instance to estimate, as closely as possible, the total quantity of coal that could be raised and delivered taking into account the wagon supply and rail capacity on the E. I. and B. N. Railways and the maximum assistance that transport of coal by sea round the coast would afford to the railways. With the resumption of traffic after the breaches and thanks to a

considerable measure of assistance given by His Majesty's Government in providing shipping for the carriage of coal by sea in return for supplies of coal for bunkers and shipments the E. I. and B. N. Railways expect to be able to provide 2,700 wagons a day for coal. On this basis and taking account of the various measures to maintain and increase output in the coalfields, a total of 25.64 million tons per annum has been adopted as a reasonable figure which can be made available for distribution. Rations have been fixed on the basis of actual supplies made during the 12 months' period from August 1942 to July 1943, and take into account estimated increases in consumption of essential services. The total allotment for industries and domestic supplies has been fixed at 1,024,587 tons a month, which represents an increase of 20% on actual supplies made between August 1942 and July 1943. The scheme is in essence a compromise between conflicting claims made possible only by the pooling of resources between India and the United Kingdom. It is proposed to watch its working very closely making internal adjustments whenever required and to review the position again early next year.

Letter No. 3302 dated 27th December 1943 from Chamber to Department of War Transport, Government of India.

I am directed to refer to the correspondence on the above subject, ending with your letter dated the 2nd December 1943, No. 6-MC(15)/43, as also the enclosure thereto, giving extract from a reply given by the Hon. Sir Edward Benthall to the question in the Legislative Assembly in connection with the scheme of coal rationing.

My Committee have carefully gone through the reply of the Honourable Member, as also your letter under reference, and regret to note that the Government of India should have framed the rationing scheme without consulting the Chambers of Commerce. It has been brought to the notice of my Committee that, under the rationing scheme which has been framed for the distribution of coal, a large number of consumers, e.g. mills and ginning factories, have not been getting adequate supplies of coal required by them. They would also like to point out, in this connection, that the period taken into consideration for fixing the quota, namely August 1942 to July 1943, cannot be regarded as the standard period because a large number of

factories and mills were not working from August 1942 onwards for a period of about six months on account of political disturbances in the country. The period selected, therefore, for fixing the quota cannot be considered reasonable.

As regards the arrangements made by the Controller of Coal Distribution for distributing coal direct to the consumers, my Committee beg to point out that such an arrangement attacks the very basis of sanctity of contracts entered into between the coal merchants and the consumers before the coal rationing scheme was brought into operation. In order to enable merchants to fulfil the contracts which they had made with the consumers, my Committee would suggest that the Coal Controller should allot sufficient number of wagons to the consumers as per priority sanction account of respective merchants, so that the coal be regularly delivered to the respective consumers.

The Government of India refer in their letter under reference to the question of black markets which may be created by the merchants, should they be given the complete charge of distributing coal to the consumers. In this connection, my Committee would like to point out that the question of creating black markets would not arise, when the Coal Controller has the sole authority to allot wagons to the consumers only and when the wagons are consigned to them. If at all, the question of black markets would arise, it would be under the present arrangements when wagons are allotted by the Controller directly to the merchants under Public Supply, who may sell the coal at exhorbitant prices to other needy consumers.

Taking the question of the rationing scheme, as a whole, my Committee feel that the scheme which Government have introduced for the control and distribution of coal is unsatisfactory and that it does not take into account the sanctity of contracts between the consumers and merchants, and that, by eliminating the merchants and middle-men, Government have undertaken the task which is not certainly the province of their own. It is bad in principle, and unhelpful and harmful in practice.

APPENDIX III

Export of Coal

Letter No. 3282 dated 22nd December 1943 from Chamber to Department of War Transport, Government of India.

A separate letter is being addressed to the Government of India by my Committee in reply to your letter of the 2nd instant, No. 6-MC(15)/43, on the subject of coal rationing scheme and supply of coal to industries. My Committee are addressing this communication with reference to the export of coal, as they are afraid from the last para of your letter and the last para in the reply of the Hon'ble Member for War Transport that export of coal may be allowed to foreign countries to have a pool of coal for India as well as those foreign countries. Such exports of coal if contemplated will be a great disaster to the industries of the country and may reproduce in the field of industry the same results as were seen with regard to food regarding the mass of people in the country. My Committee appreciate that, looking to the war efforts India has to put up, coal will be required for bunkering purposes and for other war purposes on the Eastern Frontier of the country. They cannot, however, approve of the idea of sending out coal to the Middle East or to any other countries, as such a course of action may deplete the coal resources of the country itself. His Excellency the Viceroy, in his reply to the Associated Chambers of Commerce of India at Calcutta recently, observed that "our coal production might have an appreciate effect on the course of the war". My Committee hope that this does not mean that our coal production will be added to the pool of the resources of the Middle East and other countries. It must not, however, be forgotten that the continuance of the industries on their present scale and strength is dependent, to a very large extent, on a plentiful supply of coal, and any draining away of coal will mean a restriction to the war effort. My Committee feel sure that Government appreciate all this; but they are addressing this communication in order to have an assurance from Government that there will not be allowed any unrestricted exports of coal.

APPENDIX 112

Provincial Priority for Coal

Letter No. 660 dated 3rd March 1943 from Chamber to Director of Industries and Provincial Coal Controller.

My Committee are given to understand that from 1st January 1943 a scheme for supply of coal wagons for requirements of factories and other consumers not engaged on war work and as such not on the priority list sanctioned by the Central Government has been instituted. It would, however, appear that this arrangement is confined to Bengal and Bihar coalfields. So far as supplies from C. P. and C. I. coalfields are concerned, no special arrangement has been made with the result that consumers, normally getting their supplies from the latter sources, continue to be inconvenienced by the uncertainty connected with the wagon supply. In this connection, it is pertinent to point out that for various reasons it is advantageous to the consumers in certain parts of the Presidency to get their coal from collieries in C. P. or C. I. The railway freight for stations in Gujerat and Kathiawar for coal from the Central Provinces is about Rs. 4/4 less per ton than the corresponding rate for Bengal and Bihar coal. Further, the time taken in transit from C. P. to the consuming centres here is about a week less than that for the Bengal coal. My Committee also understand that the quota at present allotted for the Bombay Province from Bengal and Bihar is comparatively small and does not meet the requirements of the province completely. Many factories and mills in Gujerat and Kathiawar are, again, normally using C. P. and C. I. coal only. It is, therefore, suggested that you will be good enough to consider this matter and to bring about an arrangement for including coal from C. P. and C. I. collieries in the existing scheme for Provincial priorities.

A copy of this letter is being sent to the Controller of Coal Distribution.

Letter No. CC|900 dated 27th March 1943 from Provincial Coal Controller to Chamber.

I beg to acknowledge receipt of your letter No. 660, dated the 3rd March 1943, in connection with the subject cited above, and to state that the Controller of Coal Distribution, Calcutta,

has not yet completed the arrangement regarding supply of coal to this Province from the C. P. coalfields. Applications for C. P. coal, will, therefore, be considered after I hear from the Central Controller about the completion of the necessary arrangement in this behalf.

Letter No. 2212 dated 11th August 1943 from Chamber to Provincial Coal Controller, Bombay.

With reference to your letter No. CC/900, of the 27th March 1943, I request you to inform me whether the Controller of Coal Distribution, Calcutta, has completed the arrangement for the supply of coal to this Province from C. P. and C. I. collieries. The quotas under provincial priority ' J ' have been suspended. The present rate of despatch being unsatisfactory, the coal and coke position in the Province may be very precarious, in case supplies do not reach in time. In view of this, if supplies from the Central Provinces and Central India are arranged for, it will give some relief.

Letter No. CC|2753 dated 28th August 1943 from Provincial Coal Controller to Chamber.

With referenece to your letter No. 2212, dated the 11th August 1943, on the subject mentioned above, I have to state that I have been informed by the Controller of Coal Distribution, that C. P. coal will not be available for the Bombay Presidency for the present under the Provincial Distribution Scheme. The C. I. coal is not intended for this province.

I have, however, forwarded a copy of your letter to the Controller of Coal Distribution, Calcutta, for his information and action if possible.

APPENDIX 113

Restoration of Hedge Contracts Regarding Cotton

Telegram dated 23rd September 1943 from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber should like to draw the attention of the Government of India to recommendations of the Cotton Committee of the Textile Control Board and the Indian Central Cotton Committee regarding reopening of Hedge

Contracts both of them are unanimous in this recommendation. According to the recommendation of the Cotton Committee of the Textile Control Board floor should be fixed at five hundred rupees and ceiling at rupees six hundred and fifty in terms of the Indian Cotton Contract. Committee trust that the Government of India will be pleased to accept these recommendaions both with regard to reopening of hedge contracts and fixing of floor and ceiling.

Letter No. 34-Tex.A(25)|43 dated 28th September 1943 from Department of Industries and Civil Supplies to Chamber.

I am directed to refer to your telegram dated the 23rd September 1943, and to inform you that the recommendations made by the Cotton Committee of the Textile Control Board on the above subject are under the Government of India's active consideration.

APPENDIX 114

Hand-weaving Institute at Poona

Letter No. 658 dated 3rd March 1943 from Chamber to General Department, Government of Bombay.

The Honorary Secretary and Trustee of the Lord Reay Industrial Museum, Poona, has forwarded to my Committee a copy of his representation dated the 9th February 1943 addressed to Government regarding the proposal to discontinue the Hand-weaving Institute at Poona. My Committee feel that in these days, when greater attention for the development of handicraft and small-scale industries is being devoted all over the country, it is unfortunate that Government should have thought of closing this Institute at Poona. My Committee have nothing to say against the proposal to start a new Power Weaving Institute at Sholapur; but what they submit is that the same need not be coupled with the proposal to close the existing Institute at Poona which, if developed on right and proper lines, will prove of great use in preserving a traditional craft and industry. Government have, in recent years, been giving increased attention to schemes of rural development and promotion of cottage industries, and it is hoped that having regard to the representations made by public bodies in Poona for the continuance

of this Institute they will reconsider the matter and abandon the proposal to close the Institute.

APPENDIX 115

Import Control on Dyes

Letter No. 1332 dated 27th April 1943 from Chamber to Commerce Department, Government of India.

The Association of Indian Importers of Dyestuffs has forwarded to my Committee a copy of their representation addressed to Government dated the 6th April 1943 drawing pointed attention to the unsatisfactory position in which Indian importers are placed under the present control scheme and the administration thereof. In this connection, it may be recalled that my Committee had occasion to address Government more than once particularly on the issue of the basis adopted for the determination of import quotas. The last occasion on which they raised this matter was in an interview with Mr. N. R. Sarker, the then Commerce Member, on 8th December 1942. He had promised to examine the question.

Under the existing scheme it was laid down by Government that registered importers would be allowed quotas on the basis of their imports during the year 1940. For all practical purposes, imports are now possible only from U. S. A. and U. K. It was expected by the trade that in determining the share for imports from U. S. A. and U. K. on the above basis, imports from all countries including Continental countries like Italy, Holland, France, etc. would be taken into account, i.e. the import quota would be based on the total share of the import of an individual importer from all the countries put together. Unfortunately, Government did not accept that position and the imports from Continental countries like Italy, Holland and France came to be excluded for purposes of arriving at the quota figure.

With the entry of Japan into the war imports from that country also ceased and the share of imports from Japan was also not calculated for purposes of allotment of import quotas. This position has led to extremely unsatisfactory results as has

been pointed out by the Association of Indian Importers of Dyestuffs.

It may be argued that the above basis is applicable equally to all importers and, therefore, the Indian section of the trade cannot have any particuar grievance against the same. In the pre-war period India used to get supplies of dyes mainly from Germany, Switzerland, Japan, France and Italy. The imports from Germany and Switzerland were mainly centralized in branch agencies of the manufacturing concerns; thus, Indian importers practically had a good part of their imports from the other Continental countries and if the share of their trade from those countries is completely excludtd, it is obvious that they are being cut out of their legitimate trade by arrangements which are entirely of an artificial character. At the same time, it may also be pointed out that the Imperial Chemical Industries are allowed increased quotas for importation from U. S. A. and U. K. representing apparently the share of the business of the Chemdyes which has been taken over by them. Similarly, importers from Switzerland have also been given the option to get their share of the imports from that country from the U. S. A. When all such adjustments are made, it is inconceivable how no special account has been taken of the imports from Continental countries and Japan, the main sources on which the Indian importers depended in the past. The above arrangements have resulted in concentrating the business of importation of dyestuffs in the hands of certain selected agencies, who, incidentally, are non-Indian, at the cost of established national interests in the trade. It is extremely unfortunate that Government should have allowed such a state of affairs to develop without taking the necessary steps to see that the administration of the quota scheme did not involve an injustice to any particular section of the trade.

My Committee are further informed that dyestuffs and chemicals which are imported from U. S. A. under the Lease-Lend arrangement are at present being handed over for distribution chiefly to the Imperial Chemical Industries. The said Agency is also being granted special licences for importing dyes for Government requirements in addition to their normal quota. It is but reasonable to suggest that the trade under the control of Government should be equitably distributed between all the

importers so as to enable them to continue in business during the period of the war.

While, as pointed out above, the whole control scheme and the administration thereof has involved considerable hardship to Indian importers, Government have recently, it would appear, issued an order cancelling all licences for imports from the U. S. A. This will have the effect of depriving all the importers, excepting those who had a share of imports from the U. K., of any quota with the result that their future position in the trade will be rendered extremely precarious. This restriction is creating considerable hardship and my Committee request that the same should be withdrawn.

My Committee request that Government will be pleased to go into the question sympathetically and bring about the necessary adjustments in the control scheme with a view to ensure an equitable distribution of the available quota among all parties who were in the trade in the basic year.

My Committee wish to emphasize that time is of essence in the matter and as such Government should review the whole position and revise the scheme at an early date.

Letter No. 23(18)-*ITC*|43 *dated 8th July* 1943 *from Commerce Department, Government of India to Chamber.*

With reference to your letter No. 1332, dated the 27th April 1943, and in continuation of this Department's endorsement of even number dated 8th May 1943, I am directed to say that the pre-war imports of dyestuffs from enemy and enemy-occupied countries (viz. Italy, Japan, Holland, France, etc.) were not lost sight of while fixing the normal requirements of India. As a result of the war, supplies from these countries cannot be expected, and there are very few suppliers in the main sources of supply (viz. United Kingdom and United States of America) who are in a position to meet Indian demands after meeting their own domestic requirements. These few suppliers cannot be expected to accept orders from all Indian importers in view of their connections with their Indian subsidiaries and of the established principles and terms of their business. Under the circumstances, no useful purpose will be served by permitting each and every importer who used to obtain dyestuffs from enemy and enemy-occupied countries, to import the pre-

sent requirements from the United States of America or United Kingdom.

2. The Government of India are always prepared to take all possible steps to secure that long established importers continue in business. Possibilities are, however, limited for the reasons stated in paragraph 1 above. I am to add that it was as a result of the Government's anxiety in this regard, that importers who held licences for imports from Switzerland and could establish connection in the United States of America were given the option of securing imports from the United States of America. It was also for the same reason that stockists of Messrs. Chemdyes Limited who in certain cases had a larger turnover of business than some of the regular importers, were allowed to import dyestuffs from the United States of America.

3. You will observe from paragraph 1 above that the trade in dyestuffs has become highly cartelized, and the position regarding imports is further complicated by the difficult shipping conditions. The Government of India have had no intention to accord preferential treatment to any particular importer, nor have they discriminated against any section of importers. You will also observe that in view of the impracticability of establishing new business connections in the United States of America or the United Kingdom no useful purpose will be served by modifying the present system of allotting quotas and allowing any or every importer, irrespective of the source of his pre-war imports, to secure the present requirements from the United Kingdom or the United States of America.

4. The question of distributing extra-quota licences to Indian importers is really a matter for the departments against whose requirements such licences are granted and those departments should be approached in their behalf.

Letter No. 2714 dated 5th October 1943 from Chamber to Commerce Department, Government of India.

I am directed to acknowledge the receipt of your letter of the 8th July 1943 in the above connection. In reply to my Committee's request for even distribution of import quotas of dyestuffs from U. S. A. and U. K., you maintain that the supply position in respect of dyestuffs in U. S. A. is very limited and cannot meet the total demands of Indian importers. My

Committee are, however, given to understand that the situation as described by you does not prevail; on the contrary, as pointed out to you by the Association of Indian Importers of Dyestuffs, production in U. S. A. is in excess of the country's domestic requirements and the suppliers over there are willing to meet the demands of the Indian importers if they are given permission to do so. It is hoped that the Government of India will verify the view expressed by the Association and rectify the situation.

With regard to the facilities accorded to those importers who had to their credit previous imports from Switzerland to transfer the same to U. S. A. for quota purposes, my Committee are of opinion that similar facilities should also be given to other importers who had to their credit previous imports from other countries which are now practically out of business including enemy-occupied territories.

They also feel that there could be no justification in according special treatment in this regard to stockists of Messrs. Chemdyes, Ltd., on the basis of their large turnover of business. It would be more equitable to grant quotas based on actual imports from all countries.

Under the circumstances, my Committee feel called upon to reiterate their previous request for a just and equitable distribution of quotas to Indian importers based on their previous imports of dyestuffs from all countries put together.

APPENDIX 116

Dyes Import Quota for Indians from Burma

Letter No. 1284 *dated* 22*nd April* 1943 *from Chamber to Commerce Department, Government of India.*

Under the existing scheme of Import Licences for dyes, it is provided that importers will be given quotas on the basis of their trade in the year 1940. It appears that this basis is being very strictly adhered to. My Committee have, however, to place before Government the case of Indian importers who were previously doing business in Burma and who have, owing to the exigencies of the war, now been obliged to settle here. As naturally they had no previous trade in India, they will not be entitled to any quota under the existing scheme. In

order, however, to meet the special requirements of the situation, it is suggested that Government should examine the possibility of giving some quotas to such Indian merchants to enable them to continue in business.

They have particularly the case of Messrs. C. V. Galliara, Ltd., before them who were doing business in Rangoon and who were the sole distributors of aniline dyes of Messrs. Havero Trading Co., Ltd. They had established a fairly extensive business in the line and were in the trade for over 40 years. They are arranging to get their company registered in India under the Registration of Transferred Companies Ordinance, 1942, and wish to resume business here in dyes and chemicals. Without some adjustment in the existing control scheme, as has been pointed out above, they will not be entitled to any quota. It will be appreciated that the case of Indian merchants who have thus been evacuated from Burma requires to be sympathetically considered.

My Committee hope that Government will be pleased to go into the matter and to arrange for some quotas being granted to applicants of this character.

Letter No. 23(22)-ITC|43 dated 15th June 1943 from Commerce Department, Government of India to Chamber.

With reference to your letter No. 1284 dated 22nd April 1943, I am directed to say that the Government of India have carefully considered your representation, but regret that quotas for imports of dyestuffs cannot be allotted to Burma evacuee firms, as such concessions will curtail the already restricted imports of established Indian importers.

APPENDIX 117

Import Licence for Hydrosulphite of Soda*

Letter No. 13-ID|43 dated 14th June 1943 from Industries and Civil Supplies, New Delhi to Chamber.

In reply to your letter No. 4049 dated the 18th December 1942, I am directed to inform you that the shortage in supplies of Hydrosulphite of Soda is so acute that this chemical can be

* For previous correspondence see Report for 1942, p. 411.

released only for the most essential requirements. It is not considered that the bleaching of silk fabrics is essential in the present circumstances. Similarly, the use of Hydrosulphite of Soda cannot be considered essential in the manufacture of sugar, for which purposes it is understood that it can easily be replaced.

2. Imports of Hydrogen Peroxide cannot be permitted in view of the fact that it is a dangerous deck cargo; no licences for the import of this chemical are being allowed.

APPENDIX 118

Import of Cotton Waste from Up-Country

Letter No. 657 dated 3rd March 1943 from Chamber to Director of Civil Supplies, Bombay.

It appears that recently merchants and shippers interested in the export of cotton waste from Bombay had approached Government for the necessary licence for importing cotton waste from up-country centres, particularly Ahmedabad. Government, it seems, have refused such licences mainly on the ground that sufficiently large quantities of waste were available in Bombay and as such they should arrange to purchase their requirements locally.

In this connection, it may be pointed out that there are cases of firms who have got their own pressing factories at Ahmedabad and who have also standing commitments in the shape of previous contracts with mills in that centre for the purchase of their output of cotton waste. These contracts were entered into for the specific purpose of fulfilling commitments for exports. As you are doubtless aware there are over 70 textile mills in Ahmedabad and there would, therefore, be a large supply of the waste in that centre. A greater part of this waste has to come to Bombay for export purposes and if licences for its import are completely stopped, the same would lead to considerable dislocation in the whole trade and would also upset the normal working of the waste pressing factories in Ahmedabad. Moreover, every type of cotton waste, it appears, is not available in adequate quantities in Bombay. It is, therefore, requested that Government will be pleased to

reconsider the matter and grant necessary licences on the merits of each case and that, at any rate, parties who have already made advance commitments in the normal expectation of the grant of such licences should be granted licences to import the cotton waste.

APPENDIX 119

Permission for Exports of Printed Silks to America

Letter No. 2621 dated 25th September 1943 from Chamber to Department of Commerce, New Delhi.

My Committee are informed that the Bombay Silk Mills, a member of this Chamber, have been refused permission to export a small consignment of silk piecegoods by Post to U. S. A. They understand that the Government of India have recently issued instructions relaxing the restriction on export of silk piecegoods and that the Export Trade Controllers are now authorized to issue permits for export by Post of Benarasi Silk Sarees made of hand-reeled silk yarn. If the restriction on the export of Benarasi Silk Sarees of the said description has been removed, there is no reason why the same should continue on Mysore silk for which the Bombay Silk Mills have entered into a contract with their foreign constituents. The Mills had in previous years exported silk piecegoods to U. S. A. and in spite of their being entitled to export quota, Government have turned down their request for permission to export. My Committee are informed by the said Mills that the small consignment in question consists of Mysore silk manufactured from hand-reeled silk yarn. Their American buyers have already opened credit in Bombay and, if permission to export the goods is not given, the consignees as well as the consignors will be put to a great deal of inconvenience. They, therefore, hope that Government will be pleased to reconsider their decision and give the necessary permit to the Bombay Silk Mills as desired by them.

Letter No. 2066 CWC|43 dated 4th October 1943 from Commerce Department to Chamber.

With reference to your letter No. 2/1211/43, dated the 14th September 1943, on the above subject, I am directed to say

that the Government of India have reconsidered your request but regret that they are unable to modify the decision conveyed to you in this Department letter No. 1339-C.W.C./43, dated the 10th September 1943.

I am to add that your assumption that the export of Benares silk piecegoods is permissible is incorrect. The only concession given is for the export, in the main, to Ceylon, of Benares Silk Sarees from hand-reeled silk and not any other silk manufacturers or to any destination in the Western Hemisphere.

APPENDIX 120

Import Licences for Goods from South Africa

Letter No. 1285 dated 22nd April 1943 from Chamber to Chief Import Trade Controller

The attention of my Committee has been drawn to the difficulties experienced under the present procedure regarding grant of import licences for the importation of goods from South Africa. It appears that the present practice is that pre-payment licences are granted only for the duration of the corresponding Letters of Credit. In view of the difficulties experienced in getting shipping space, it often happens that shipments are not possible within the first period of the Credit and generally on such occasions, the credits are renewed. In the past, import licences were also being re-validated when credits had to be renewed for want of shipping accommodation.

Recently, Messrs. Nowrojee Ardaseer & Sons, a member-firm of this Chamber, were given two licences, viz. Nos. 29923 BOM and 29923A BOM for the importation of certain provisions, wines, spirits, etc. These licences were made valid till the 15th and 25th April respectively, the dates on which the corresponding Letters of Credit expired. When the firm approached the Deputy Chief Controller of Imports in Bombay for the necessary renewal, they were informed that the period would be extended to 30th June in case payment was made under the terms of the Letters of Credit. There was no guarantee of the necessary shipping space being provided before 30th June and it was, therefore, not fair to the party to be asked to make payment before the prospects of shipment were made definite.

It will be appreciated that if after making the necessary payment, there is subsequently any hitch in exporting the supplies, the importer at this end will be needlessly penalized.

My Committee, therefore, suggest that the procedure should be made more practical and as in the past, and as it is the case even now with regard to imports from some of the other countries, the licences should be automatically revalidated whenever a Letter of Credit is renewed for want of shipping accommodation.

It is hoped that Government will be pleased to consider the above suggestion favourably and issue the necessary instructions accordingly.

Letter No. ITCA|III(265)|43 dated 3rd June 1943 from The Chief Import Trade Controller to Chamber.

With reference to your letter No. 1285, dated the 22nd April 1943, I have the honour to say that pre-payment licences are granted only for the duration of the corresponding letters of credit. The concession given in this connection is intended to secure that where it is beyond the power of the importer to prevent payment being made under the terms of an irrevocable commitment entered into by him before the critical date, he is not prevented by the import licensing system from obtaining his goods. Were it not for this concession the importer would stand to lose both his money and his goods. Once the irrevocable letter of credit expires without payment having been made, the position has changed; the importer is prevented by the import licensing system from importing the goods, but he is no longer irrevocably committed to the expenditure of his money. Pre-payment licences are not automatically revalidated where the letter of credit has expired. Revalidation has been allowed only where the licence was valid till the end of one shipping period but shipping space could not be available during that period. Your suggestion that the licences should be automatically revalidated wherever letters of credit are renewed for want of shipping accommodation has been carefully considered but it is regretted that it cannot be accepted.

APPENDIX 121

Import of Cloves from Zanzibar to Bombay

Letter No. 1115 *dated 7th April* 1943 *from Chamber to The Chief Import Trade Controller.*

The attention of the Committee of this Chamber has been drawn to the fact that the Import Trade Controller, Bombay, is considering fixation and allotment of import quotas for cloves to be imported from Zanzibar to Bombay. The basis, so far as my Committee are informed, will be consignments of cloves received in Bombay from Zanzibar between 1st April 1941 and 31st March 1942. My Committee consider that this period is too short in which to consider the claims of different parties for quotas. They would suggest that the basis of fixing the quotas should be the average of two years, 1940-41 and 1941-42, during which period the merchants here had got a fairly good number of consignments of cloves from Zanzibar. It is hoped that Government will be pleased to accept this suggestion.

APPENDIX 122

Supply of Milk

Letter No. 2870 *dated 25th October* 1943 *from Chamber to Finance (Supply) Department, Government of Bombay.*

The Committee of this Chamber view with serious concern the difficulties that are being experienced by the people of Bombay and suburbs in getting adequate supply of pure milk at reasonable prices. The position is day by day getting from bad to worse and if timely steps are not taken to improve the supply position and to bring about a control in the prices charged for milk, the repercussions on the health of the City and suburbs and on the living conditions of the middle and poorer classes will be disastrous. It is an acknowledged fact that pure whole milk constitutes an important element in the diet of a large majority of our population; it is particularly so in the case of children and nursing mothers. When, due to the existence of abnormal conditions, the nutritive value of a variety of articles of foodstuffs has undergone much deterioration, it is of paramount importance that no time should be

lost by Government to ensure that the quality and quantity of this protective food, viz. milk, are maintained at fairly reasonable levels.

In order to achieve that objective, the first anxiety of Government should be to take necessary steps to increase the supply of fresh pure milk to the City and suburbs. It is unfortunate that this aspect of the matter was not so far given due consideration. Government should have, long before, formulated plans and proposals:

(1) for increasing the sources of supply of pure milk;

(2) for getting larger and sufficient number of milch-cattle into the City;

(3) for the necessary transport facilities for the same as for food supplies;

(4) for regular and timely supplies of fodder and cattle food at economic prices; and

(5) for free grazing arrangements for dry cattle.

As it is the position, according to the information of my Committee, obtaining at present is that the fresh arrivals of milch cattle in the City are considerably less than in normal periods, due to a variety of reasons. The cattle-owners are also experiencing difficulties in geteting cattle-food and fodder at economic prices. The absence of adequate grazing facilities is contributing, in no small measure, to dry cattle, capable of bearing calves, being sent to the slaughter-houses. Even now, it is not too late for Government to formulate suitable plans and proposals for increasing and supplementing the sources of pure milk supply to the City and suburbs on lines indicated above.

My Committee appreciate that, even after all such efforts, the full supply requirements of the City and suburbs may not be immediately met. It may be necessary to depend, to some extent, on the supply of imported milk. Government should concentrate their attention on the import of whole condensed milk or whole milk powder from countries which are in a position to supply the same. There should be a strict control on prices and distribution of the same to the consuming public. Care should be taken to see that such imported supplies of milk powder are used for *bona fide* purposes, and thus, as far

as possible, the deficiency in the supply position should be sought to be met by imported whole condensed milk or whole milk powder.

My Committee have seen reports appearing in the Press that Government propose to import skimmed milk podwer also to relieve the situation. It is readily agreed that skimmed milk powder is totally deficient in food values as compared with pure milk or whole milk powder. The import of skimmed milk powder should, therefore, be restricted to the irreducible minimum, and should only be for use for certain specified purposes. My Committee are anxious that the imported skimmed milk powder should not be used for the normal ordinary civilian consumption or for purposes of adulteration with fresh milk or for uses of a similar character. There should be strict and effective check on the distribution of skimmed milk powder; they would suggest that the same should be confined for use in the preparation of tea and other beverages in restaurants and canteens, such restaurants and similar establishments not being entitled to get any supplies of pure milk, so long as the present condition of scarcity continues.

My Committee hope and trust that Government will give this matter their early and serious consideration and will take all necessary steps to supplement the milk supply position in the City and suburbs, arrange for getting whole milk powder and whole condensed milk from countries in a position to supply the same.

Letter No. 57(G)(4)|38860-IV dated 4th December 1943 from Finance (Supply) Department, Bombay to Chamber.

With reference to your letter No. 2870, dated the 25th October 1943, I am directed to inform you that the question of high prices of milk in Bombay City and Bombay Suburban District has been engaging the attention of Government for some time. The Committee of your Chamber is perhaps aware that supplies of most of the items which enter into the cost of production of milk are imported into Bombay from sources outside the Bombay Province where prices of those items have recorded a sharp increase.

The action taken by Government has been mainly directed towards making available to cattle-owners, hay, chuni, cotton-

seeds and oilcakes at as reasonable prices as possible. For this purpose quotas of principal cattle-feeds were obtained from other Provincial Governments and imports against those quotas were made either by Government direct or through Cattleowners' Association and others under controlled conditions. Hay is a local produce and as a result of measures taken by Government, hay prices have recorded a sharp decline during the past six weeks. Oilcakes are produced locally and as you may be aware their distribution is controlled by Government. Prices of copra cake preferred for cattle feeding have also been controlled.

2. The suggestions made by your Committee about controlled distribution of skimmed milk powder would be taken into consideration after the supplies of the commodity are available in Bombay.

3. I may further assure your Committee, that the question about milk supply is being closely watched by Government almost from day to day and that every possible measure, including the suggestion made by you about grazing facilities, has been or is being considered.

Letter No. 3231 *dated* 16*th December* 1943 *from Chamber to Finance Department* (*Supply*).

With reference to your letter No. 57(G)(4) 38860-IV of the 4th December 1943, I am directed by my Committee to draw the attention of Government that the question of milk supply in the City of Bombay is becoming more and more serious, and so Government, my Committee trust, will in addition to the action hitherto taken as mentioned in your letter, be pleased to take immediate steps for formulating plans and proposals for (1) increasing the sources of supply of pure milk; (2) getting larger and sufficient number of milch cattle into the city; (3) providing necessary transport facilities for the same as for food supplies.

In this connection, my Committee like to point out that as an inconsiderate slaughter of prime cattle would lead to a graver situation regarding the supply of milk, Government should take adequate steps for the prevention of the slaughter of cows capable of bearing calves and heifers, cows in milk as well as bulls below the age of 15.

As pointed out in our previous correspondence the fresh arrivals of milch cattle in the city are considerably less than in normal periods due to a variety of reasons. So Government should take necessary steps for the replenishment of cattle in Bombay and should also publish from time to time the statistics of such replenishment. As the absence of adequate grazing facilities is contributing in no small measure to dry cattle capable of bearing calves being sent to slaughter-houses, my Committee request Government that the question of providing adequate grazing facilities which has been engaging the attention of Government for a fairly long period should be immediately taken up.

My Committee hope that Government will consider the problem of milk supply in Bombay City and suburbs as a very urgent one and will expedite their arrangement for solving it.

APPENDIX 123

Export of Wheat from India

Letter No. 1882 *dated 2nd July* 1943 *from Chamber to Food Department, Government of India.*

The attention of the Committee of this Chamber has been drawn to a press note which has appeared a few days back to the effect that some of the wheat ships which were diverted to this country, meant for other destinations, were brought here to relieve the acute wheat shortage position and that this borrowed wheat is now being returned to those countries. My Committee are writing this letter to the Government of India for clarification of the press note. So far as my Committee understood at the time, the wheat obtained from Australia was outright purchase for India and nothing was said then that the consignment was in the nature of a loan. Even if it had been so, it is not fair to this country that Indian wheat, which is of a superior quality, should now be sent as " borrowed wheat " to the destinations from which the Australian wheat was said to be diverted, specially when it cannot be said that the wheat position of this country has improved to any appreciable extent. My Committee have been feeling extremely anxious over the whole food situation and to take away a portion of wheat to other destinations at such a juncture places this country in an

unenviable position. My Committee have been repeating, time after time, with all the emphasis that they can command, that the food front must be safeguarded at all costs and that if the teeming millions of this country are faced with a food shortage, as they have been several times during the last three years, the results will be disastrous. They would, therefore, like to be informed of the exact quantity of the so-called " borrowed wheat " that is sent outside and the countries to which it has been thus assigned. They would also like to know the price at which the wheat has been thus sold and the price at which the original Australian wheat was diverted to this country.

This naturally raises the issue as to what would be the position of India in regard to supplies of foodstuffs made by her to neighbouring countries and theatres of war, both for civilian and for other requirements. The Government of India, it is understood, have been, from time to time, arranging for supplies particularly to countries greatly in need like Iraq, Iran, etc. These supplies again are sent at the suggestion and request of His Majesty's Government. The whole surplus supply of wheat in Australia has been acquired by His Majesty's Government. In view of the fact that such countries should, in due course, be supplied with wheat and other foodgrains from surplus sources available, like Australia, it is reasonable to suggest that India should also demand from His Majesty's Government or other countries concerned, return of corresponding quantities of foodgrains to this country. Such a treatment is particularly necessary because of the acute shortage now experienced here. It is to be hoped that this aspect of the matter is receiving the serious consideration of Government.

My Committee request an early reply from Government to the points raised therein.

Letter No. PA305|1 dated 22nd July 1943 from Food Department, Government of India to Chamber.

I am directed to refer to your letter No. 1882, dated the 2nd July 1943, and to state as follows.

2. Food Department have seen a notice in the Press to the effect that certain wheat ships from Australia were diverted to India and that the " borrowed " wheat is now being returned. This notice is incorrect. The import of wheat from Australia to

India were arranged by His Majesty's Government and all have now been delivered. This wheat was purchased by the Government of India and not " borrowed " and there is no question of returning it. Certain ships carrying wheat to India were ordered to be diverted en route to other destinations, but having made fast voayages, their cargoes had been unloaded and distributed in India before the orders were received. Since, therefore, wheat was received in India which was not intended for India, an equivalent quantity of Indian wheat was despatched to the destinations intended. There was no difference between the quantity of wheat received and the wheat despatched. The Press Note appears to be an inaccurate account of this transaction.

3. Your Chamber may rest assured that the Government of India are fully alive to the importance of conserving India's stock of foodgrains, and all questions of export or import come under very careful consideration in the light of the existing stock position.

APPENDIX 124

Export of Oilseeds and Edible Oils

Letter No. 250 dated 21st January 1943 from Chamber to Commerce Department, Government of India.

The Committee of the Chamber had occasion recently to address Government suggesting that, having regard to the existing position in the matter of the requirements of articles of foodgrains and foodstuffs within the country, exports of these to foreign countries should be completely stopped. My Committee hope that this suggestion is receiving the serious consideration of Government.

According to information placed before them, production of groundnuts last year was about 18 lakhs of tons and the carry-over of surplus from the year 1941 was estimated at 2½ lakhs of tons. The consumption during the year 1942 is also estimated at about 21 lakhs of tons and it would, therefore, appear that there is no surplus to be carried over for the current year. If the above picture in regard to the supply position, as it has been presented to my Committee, is substantially correct,

the question naturally arises as to whether India can afford to allow groundnuts and any of the other oilseeds yielding edible oils to be exported freely. Oil is an essential item in the dietary of the Indian public and during the present times, in view of the great rise in the price of ghee, it is reasonable to assume that larger quantities of oil would be consumed. Again, groundnut oil is also used for the manufacture of vegetable ghee, the use of which is very popular particularly with the masses in recent times. It may further be mentioned that in some parts of the country the poorer classes are accustomed to taking groundnut seeds after frying. In the present critical times, therefore, groundnut may be deemed to be an article supplementing the food requirements of the country.

Another factor to which my Committee would like to draw the attention of Government is that, due to recent war developments, considerable difficulty is being experienced in importing copra from Ceylon. This would lead to a diminution in the quantity of cocoanut oil crushed and made available for consumption in the country with the result that there would naturally be a larger demand for other edible oils. There are also certain industrial uses for groundnut oil, viz. for purposes of mixing with lubricants.

In view of the increased demand as indicted above and having regard to the fact that the supply position in regard to seeds within the country cannot be deemed to be very satisfactory, my Committee are strongly of the opinion that Government should stop all exports of groundnuts. Although they have made particular mention of groundnuts, their remarks apply equally to other oilseeds yielding edible oils. They feel very strongly that, at any rate for the duration of the present emergency, Government should not allow any export of oilseeds or edible oils, including vegetable products. After all the immediate problem is one of making adequate provision for the food requirements within the country and when the country is almost threatened with a food crisis, that consideration must supervene. It is, therefore, hoped that Government will be pleased to take immediate action in the matter and prohibit the exports of all oilseeds and edible oils.

Letter No. 2282 dated 19th August 1943 from Chamber to Commerce Department, Government of India.

The Committee of this Chamber had addressed Government in January last, strongly recommending them to prohibit the exports of oilseeds yielding edible oils (*vide* their letter No. 250 dated the 21st January 1943). The Committee, in their said communication, had made a particular mention about groundnuts, all exports of which, they suggested, should be totally stopped.

My Committee are now informed that although export of groundnuts is not allowed from Bombay, the commodity is being exported from other ports. If the figures of production and consumption of groundnuts in India are examined, it will be found that there is no surplus to be carried over for the current year. Further, it may be pointed out that, when shortage of food is being experienced in the coutry, groundnut has become an important supplementary item of food. This country, therefore, cannot afford to export a commodity which has now become essential for the population from the dietetic point of view. The refuse in the form of oilcake obtained after crushing has been found a very useful article for purposes of manure. If, therefore, the needs of the agricultural industry regarding manure are met by the supply of oilcakes, the " Grow More Food " campaign inaugurated by Government will be immensely benefited. My Committee are, therefore, of opinion that the groundnut stocks in the country should be conserved for the benefit of the poor people as well as the agricultural industry. They fail to understand why any export of groundnuts is allowed from ports other than Bombay. If export of groundnuts is allowed from other ports, the purpose of imposing a ban on export from Bombay is not served. My Committee, therefore, strongly urge upon Government to prohibit exports of groundnuts from all ports, and thereby relieve the acute situation created by the unsatisfactory supply position of oil and oilseeds.

Letter No. 107-CWB(14)|43 dated 15th November 1943 from Commerce Department to Chamber.

With reference to your letter No. 2282 dated the 19th August 1943, I am directed to say that the exports of groundnuts and other oilseeds and of vegetable oils have for a long time been

subject to control. The supply position in regard to these commodities has been kept under constant review and the export restrictions have recently been further tightened up. In regard to groundnuts, exports of a limited quantity are allowed mainly to the United Kingdom and to a few neighbouring countries which have been dependent on India for their requirements. Supplies for exports will be drawn from such areas only as can conveniently spare them.

Letter No. 3091 dated 25th November 1943 from Chamber to Commerce Department, Government of India.

I am directed to acknowledge the receipt of your letter No. 107-CWB(14)/43 dated the 15th November 1943, on the above subject.

My Committee, however, regret that Government have not seen their way to accept their suggestion for a complete stoppage of exports of oilseeds and edible oils, having regard to the general food position in the country. You observe that "the supply position in regard to these commodities has been kept under constant review and the export restrictions have recently been further tightened up." You also add that in regard to groundnuts, exports of limited quantities are allowed mainly to the United Kingdom and to a few neighbouring countries.

My Committee have been receiving complaints about the inadequacy of the supply of seeds received in the Bombay City and other parts of the presidency even for normal internal requirements. The question has also to be viewed from the broader aspect of the general food supply situation in the country. It is an admitted fact that the country is passing through a crisis due to a shortage in the supply of staple foodgrains. The vegetable oilseeds like groundnuts and vegetable oils are essential articles of food, and on an occasion of a general shortage like the present, they can as well be supplementary articles of daily diet. Government cannot be unaware of the fact that groundnut has a great food value and there are quite a large number of people, mainly drawn from the poorer classes, who are accustomed to take this article as a suppdementary item of their daily diet. While the food situation in the country causes anxiety, my Committee are emphatically of the opinion that Government should not rest content with the present

policy of a limited control over exports but should forthwith issue orders for a complete prohibition of exports of oilseeds, and for the duration of the present food emergency, groundnuts should be treated on the same basis as foodgrains and all the supplies available in the country should be conserved for internal consumption.

APPENDIX 125

Licences for Export of Cotton Piecegoods to Australia

Letter No. 3253 dated 18th December 1943 from Chamber to Commerce Department, Government of India.

I am directed by the Committee of this Chamber to bring to the notice of Government certain grievances arising out of restrictions placed on exports of piecegoods to Australia. Under the present system, quotas are fixed and permits issued on the basis of exports of piecegoods made during the fiscal year 1941-42. My Committee beg to draw the attention of Government, in this connection, to the fact that export trade in piecegoods with Australia is a new development in India's foreign trade during the last two or three years, and it is possible that many of the shippers who have recently taken to this new line may not have effected any shipments during the basic period. The system of the issue of licences on the basis of 1941-42 shipments, therefore, works as a great handicap on new exporters. My Committee understand that the basis fixed by Government is strictly applied, with the result that new shippers are completely eliminated from the export trade developed only recently. India's trade with Australia holds out a great future for both the countries and there are ample possibilities for further developments of trade relations after the war. My Committee, therefore, urge that having regard to the future possibilitis every consideration should be given to exporters, old and new. My Committee earnestly request Government that newcomers should not be precluded from obtaining licences on the unfair ground that they had effected no shipments during the fiscal year 1941-42, but they should be allowed a just and reasonable share of business.

Letter No. 67-C.W.(24)|43 dated 23rd February 1944 from Commerce Department, Government of India to Chamber.

I am directed to invite a reference to your letter No. 3253, dated the 18th December 1943, on the subject of export of cotton piecegoods to Australia.

2. As your Chamber is aware, exports of piecegoods are regulated under a quota system and the quota fixed for Australia is only about one-half of the level of exports to that country during 1941-42. It is impossible to enhance this quota without adversely affecting the recipients. Your Chamber will therefore appreciate that it will not be possible for Government to encourage new shippers who commenced exporting piecegoods to Australia after the 1st April 1942, as the consequence will be to reduce still further the fraction of the trade permissible to exporters who were established in the trade prior to that date.

3. I am also to observe in this connection that the question of issuing licences to shippers other than those who effected exports during the year 1941-42 has already been fully discussed in the Advisory Committee attached to the E. T. C., Bombay. In accordance with the recommendations made by that Committee (on which your Chamber is represented), the Government of India have authorized the E. T. C. to distribute the balance of quota not utilized by established shippers among firms which, though not fulfilling the prescribed conditions, deserve some assistance on other considerations.

APPENDIX 126

Export of Non-essential Oilseeds

Letter No. 3133 dated 1st December 1943 from Chamber to Department of Commerce, New Delhi.

The attention of my Committee has been drawn to a Notification No. 512, dated the 13th November 1943, issued by the Export Trade Controller, Bombay, outlining the procedure to be followed in regulating exports of non-essential oilseeds and oils. It would appear therefrom that licences would be granted on the basis of the share of previous exports of the applicants to the country concerned in the year 1941-42, implying thereby that applicants who had no share of trade with a

particular country in that year would not be entitled to any quota. The above procedure, however, will not apply to exports of castorseeds, groundnuts and linseed to the United Kingdom.

It has been pointed out to my Committee that the said procedure will involve a great injustice to established Indian exporters, so far as exports to countries like Australia and New Zealand are concerned. Government will appreciate that the export trade in oilseeds to these countries has been developed only very recently. In many cases, therefore, established Indian shippers will not be able to claim any previous share of the trade in 1941-42, with the result that they would not be entitled to licences for shipments to those countries. My Committee would urge upon the Government of India that licences for exports of oilseeds to countries like Australia and New Zealand should not be based on previous share of the trade, but should be given to all *bona fide* exporters. If Government wish to make any scrutiny in regard to the *bona fides* of particular transactions, they may provide that the exporter concerned should procure from the Trade Commissioners of the countries in question here a certificate to the effect that the transactions for which the licences are applied are genuine. At all events, if exports are to be merely regulated by reference to figures of past trade, a serious injustice would be done to many established Indian exporters.

In conclusion, my Committee would like to point out that so far as exports of these to the United Kingdom are concerned, there is at present no quantitative control, and the same are allowed freely. Empire countries like Australia and New Zealand should also be treated on the same basis and exports of linseed, castorseed, etc. should be allowed freely to these countries also.

APPENDIX 127

Exports of Articles of Foodstuffs to U. K. by Postal Parcels

Letter No. 3151 *dated 6th September* 1943 *from Chamber to Department of Food, New Delhi.*

My Committee are informed that postal parcels containing articles of foodstuffs such as biscuits, raisins, foodgrains, etc.

are accepted for being despatched as free gifts to friends or relations in the U. K. and other foreign countries and that there are certain stores or depots authorized to send such parcels. Similarly, parcels of foodstuffs and other edible articles can be sent as gifts through the Red Cross Society. My Committee would like to have information about the quantities of foodstuffs which are thus going by postal parcel. They would further like to know if there are any rules or regulations governing the dispatch of such postal parcels containing food articles outside the country.

At the same time, they would like to point out that Government have, in view of the extreme conditions of scarcity within the country, accepted and laid down as a matter of general policy, that exports of foodgrains and articles outside the limits of the country should be completely stopped. They urge that the above ban should extend to exports by postal parcels also and that the outflow of supplies of food articles from the country through these channels should be rigorously checked and stopped. It is requested that Government will be pleased to take early action in the matter.

Letter No. L-378(6) dated 8th February 1944 from Department of Food to Chamber.

With reference to para 1 of your letter No. 3151 dated the 4th December 1943, I am directed to say that the present position regarding export to various destinations of food parcels by private individuals is as follows :—

(i) *To the U. K.*:—

(*a*) In accordance with the postal notices dated 24th February and 23rd June 1942 and 24th February 1943, respectively, civilians and service personnel in India are permitted to send free of export licence twelve duty free gift parcels per year subject to the condition that each parcel does not exceed five pounds in weight inclusive of packing and contain not more than two pounds of any one kind of foodstuff.

(*b*) Food parcels not falling under the regulations referred to in (*a*) above are allowed to be despatched under licence granted on merits of individual applications.

(ii) *To all other permissible destinations* :—

Parcels are allowed to be exported under licence granted on merits of individual applications.

(iii) *Dispatch of food parcels through Red Cross Society* :—

As a rule, no foodstuffs can be included in any parcels sent from India by private individuals either direct or through Red Cross to prisoners of war in Europe. The only exception to this is the permissibility for the despatch of slab chocolate not exceeding 2 lbs. in each parcel.

No foodstuffs or food parcels are sent from India by the joint War organization of the Indian Red Cross Society and St. John Ambulance Association (Headquarters) or any of the Provincial or State Joint War Committees of the Red Cross Society for prisoners of war in Europe. However, Red Cross Relief Supplies, including foodstuffs, are sent for British prisoners of war in the Far East as and when opportunity occurs. Uptil now this has been done on not more than two occasions.

Articles such as pickles and chutney, dry and preserved fruits, cakes and biscuits, cream and condensed milk, etc. are also sent to Ceylon, Iraq and Iran and Middle East from time to time for the sick and wounded Indian troops in these areas.

2. As regards para 2 of your letter referred to above, I am to add that the views of your Chamber have been noted by the Government of India.

APPENDIX 128

Control on Export of "GUR" from U.P.

Letter No. 2403 dated 2nd September 1943 from Chamber to Supply Commissioner, Government of Bombay.

Your attention must, no doubt, have been drawn to the action taken by the Government of the United Provinces in prohibiting export of gur from that Province to any place outside the provincial limits. A copy of the relevant Notification No. 17187/CS dated 14th August 1943, is enclosed herewith for ready reference.

It appears from reports received by my Committee that merchants, who were normally exporting gur from centres in U. P. to several parts of the Bombay Presidency, have purchased gur there, long before the export ban came into operation, for purposes of being sent to the different consuming centres in this province. Obviously, the said supplies, already acquired before the ban, would not now be permitted to be exported. It is also common knowledge that the province of Bombay, even in normal times, used to get supplies of gur from U. P. to supplement the local production, and it is, therefore, conceivable that without additional supplies from outside sources, the people of the province may be put to difficulty in getting their full requirements of gur.

My Committee would like to be informed if Government have considered the matter and if they have made any arrangements for getting additional supplies of gur to meet the requirements of the province. In this connection, they would like to be furnished with estimates of annual consumption of gur in the province, production of gur within the province and deficit, if any, to be met by outside supplies. It need not be gainsaid that if it is found that the local production of gur is not sufficient to meet the requirements of the Province, Government should take early steps to represent the matter to the authorities of the U. P. Government, with a view to permission being given for exports to the extent of the balance of the requirements of this province.

My Committee will be glad to receive a detailed reply from Government explaining the position in full.

Letter No. 31|10468-III dated 23rd September 1943 from Supply Commissioner, Bombay to Chamber.

With reference to your letter No. 2403, dated the 2nd September 1943, I have the honour to state that on an average of the past few years, the Bombay Province consumed about 2,30,000 tons of gur whereas the annual production was about 2,07,000 tons. The Province was exporting about 26,000 tons per year and importing about 49,000 tons. The net import of 23,000 tons made up the difference between our production and consumption.

2. Government has imposed a ban on the export of gur to places outside the Bombay Province since February 1943. The question of importing gur from the U. P. to make up the deficit in gur supplies is being actively pursued and it is hoped that such quantities and qualities of gur as used to be imported from the U. P. in previous years, will be available in such markets of this province where U. P. gur was largely sold.

V.—GENERAL

APPENDIX 129

Mahatma Gandhi's Fast

Telegram dated 10th February 1943 from Chamber to H. E. the Viceroy.

Committee Indian Merchants' Chamber have learnt with deep feelings that Mahatma Gandhi has decided to undergo a three weeks' fast from today. A fast of three weeks for a man of Mahatma's age is not to be viewed lightly. The commercial community regret that a situation should have been allowed to arise which has called for a three weeks' fast from Mahatma Gandhi. His life is the most precious possession not only of the Indian people but of the whole world and all possible steps should be taken to avert the calamity. Committee have always insisted that Mahatma Gandhi is the best interpreter between the Indian people and the Government of India and they cannot contemplate without feelings of extreme nervousness and alarm his fast. They therefore appeal to His Excellency to set him free unconditionally so that a beginning at least may be made in the way of the removal of the deadlock which has been a heavy deadweight on the nation since the last six months.

Telegram dated 22nd February 1943 from Chamber to H. E. the Viceroy.

Committee Indian Merchants' Chamber have been deeply pained at the rejection by Government of India of all-India appeals for the immediate and unconditional release of Mahatma Gandhi with a view to save his precious life to India. The emphatic no given by His Excellency the Viceroy to the Leaders' Conference has deepened the feeling of frustration and resentment and seems to indicate that Government have ignored the depth of feeling of the millions of Indian people for Mahatma Gandhi, Apostle of non-Violence whom they consider as the soul of the country. No incident like this has happened since the last few centuries which has so stirred India. As Committee expressed in their previous telegram India has been feeling with deep emotion that the sands of life of the man who is

rightly considered as the greatest man in the world are running out. Committee deplore that Government have failed to realize that if Mahatma dies in gaol it will be a severe blow to the relations between England and India and create a bitterness which it will be difficult to eradicate for a long time to come and render impossible the solution of the present deadlock. Committee draw attention of Government that millions of people have deep and spontaneous feelings on the subject and if there are any repercussions the responsibility will be solely on Government. Committee still expect that even at this eleventh hour wiser counsel will prevail and Government will not continue to ignore the unanimous demand of the Indian people and release immediately Mahatma Gandhi.

APPENDIX 130

Interview with the Hon. Sir Jwalaprasad Srivastava, Food Member, Government of India

Speech of Seth Haridas Madhavdas, President, Indian Merchants' Chamber, Bombay, at the interview with the Hon'ble Sir Jwalaprasad Srivastava, K.B.E., Food Member of the Governor-General's Executive Council, on Monday the 27th September 1943, *at* 12-15 *p.m.* (*N.S.T.*) :

Sir Jwalaprasad Srivastava,

I have great pleasure in welcoming you on this, your first visit to the Committee of this Chamber. Food is a problem of first importance at any time, but specially at present when vast tracts of land in the country are suffering from starvation or semi-starvation. As the Food Member of the Government of India, we welcome you in our midst with the hope that our discussions will be full, free and frank, and that you will be able, before long, to free this country from the terrible incubus of famine of food.

The total requirements of foodgrains of the country are, we are told, 50 million tons. My Committee would like to know what is the exact shortage of food from which the country is suffering. It is a common platitude that India is an agricultural country and that she is more or less self-contained with regard to her requirements of food. She did import rice to the extent of less than 5% of her total requirements and she exported wheat

sometimes to a small extent. Burma has now ceased to be an exporter of rice to this country and besides this one abnormal factor, there are the factors of the advent of a large number of troops being stationed in the land plus the large number of evacuees from Burma and other territories which are now in enemy hands. The question is whether these abnormal factors are by themselves responsible for creating the extremely unpleasant situation that has arisen in the country of a shortage of foodstuffs leading to actual starvation. There are also some other factors which are tending in the same direction; I mean large exports of foodgrains to neighbouring countries as well as to distant friendly countries, hoarding not only by dealers and private citizens, but mainly by Central and Provincial Governments. With regard to these factors which are all operating or said to be operating in the direction of starvation, different views are held by different people. My Committee may remind you, sir, of the persistent appeal made by them since the war began in 1939 that food should be considered as one of the munitions of war especially as under the technique of modern war, civilians behind the lines are of as much importance as the soldiers in the trenches. We, therefore, urged that greatest attention should be paid to an equitable and fair distribution of food throughout the land and that Government should see that the transport system did not fail them at the right moment. Unfortunately, my Committee are afraid, their voice was a voice in the wilderness. While what was known as the phoney war was going on in Europe, Government here were also complacent and no active steps were taken to see that there was going to be a definite supply of food throughout the country. The transport system also broke down and despite what the Transport Member says to the contrary, my Committee are afraid that the failure of the transport is to no small extent responsible for the fearful events which are happenning in Bengal and elsewhere.

India should have been treated as one unit and distribution planned accordingly. That it is possible to treat India as one unit has been seen by the steps the Government of India have taken in the matter of issuing ordinances for putting down political troubles. The Central Government should have treated the food question as a problem of Central responsibility for the

duration of the war. There has been found no reason whatsoever why the provinces should not have followed the mandate of the Central Government with regard to food as they did follow the mandates of the Central Government with regard to measures taken or proposed to be taken by the Home Department. You will excuse me, Sir, if I just quote a few lines from the speech I made at the Annual General Meeting of the Indian Chambers of Commerce and Industry on this very question :—

> " To me this food shortage problem is, to some extent, also a constitutional problem. It is considered to be constitutional under a regular Act of Parliament that the Provincial Autonomy of seven provinces should be taken away and that these provinces should be put under what is known as the Governor's Rule with the Advisers. It is also considered constitutional that the administration of the Home Department in practically every province should be directly under the control of the Government of India. Then, I don't understand why constitutionally Government of India should not take to themselves the powers of enforcing co-ordination between the different provinces and preventing them from competing with each other in the matter of bans and controls and refusing to co-operate under the aegis of the Central Government, with each other to prevent any food problem arising whatsoever."

There was some hue and cry in the beginning of the war with regard to high prices being charged then for certain articles of food, chemicals, drugs, etc. The prices, however, began to sag later on, though only for a temporary period and there were no active steps taken by Government from that time onward to anticipate the calamity which was coming on. The prices afterwards began to flare up and flare up to an extremely abnormal and unjustifiable extent. There were all sorts of names used for it, profiteering, exploiting, black market, etc. but the main fact remains that the price index number which was 100 in August 1939 rose to 119.6 in 1940; 129.7 in 1941; 186.0 in December 1942 and 220.1 in March 1943. The worst of the tragedy, for I cannot call it by any other name, was that the Provincial Governments themselves took part in this

shameless exploitation of the people by charging high prices for foodstuffs. There is a proverb in our vernacular which says that if the parents themselves go wrong, or if the kings themselves go wrong, what are the children and the subjects to do. I need not name the Provincial Governments which acted in this wise, as you yourself know it much better. But this much I can say that the Government of India should not have allowed that *laissez faire* policy which followed the surplus provinces either to refuse *in toto* the demands of the deficit provinces for food or to charge extortionate rates for the supplies they gave to the deficit provinces. I should not like, Sir, to lengthen out my remarks on these points.

The Government of Bombay was, perhaps, the first Provincial Government to think in terms of rationing. Some of us were not much in favour of this idea of rationing, but once the rationing was introduced we were opposed to its being stopped and making room again for free trade. The rationing is going on fairly well, but my Committee will be failing in their duty if they do not point out that the units fixed for rationing are less than what a normal person or a child requires for the upkeep of their health. Not only this, but the charges levied by Government are much more than what are justified under the circumstances. There is also already a spectre looming large over us of certain rationed stuffs disappearing and leaving us in the same state in which Bengal finds herself at present. The ration of rice which is the staple food of the people of the city is indirectly sought to be reduced as now the ration is given in two sorts of rice, No. I and No. II, of which the first quality is much costlier than the other and we are told that we can get No. I rice to our usual ration, but only half the quantity of rice if we want to go in for the No. II quality of rice. Poor and lower-middle class people naturally cannot go in for No. I quality rice and so it comes to this that either they have to take a reduced ration of rice or they have to pay 50% more for the rice. Looking to the fact that rice is the staple food of the majority of the population of the city, this only means that the people have either to go without their usual food or have to pay 50% more for which they have not the wherewithal. We are seriously told from some quarters to change our dietary habits. While the hungry man eats any-

thing, we look to a civilized Government like the Government of India to see that they do not compel a population of 40 crores placed in their charge, to change its dietary habits and to reduce its usual consumption of food leading to malnutrition. I am told by a friend who vouches for the truth of the story that the Collector of a certain district told the people that instead of observing Ekadashi only once a month, they might as well observe Ekadashi all the year round. This sort of flippant treatment of a serious problem bodes no good either for Government or the people at large.

In this presidency even the evil of non-co-ordination as between district and district is seen to no small extent. Orders have been issued by Collectors of Districts prohibiting exports of essential foodgrains from their districts to the adjoining districts with the result that this want of co-ordination exposes people to a good deal of harassment and danger of starvation. My Committee would like specially to bring this to your attention that the present ration limit should not at all be reduced. This was, in fact, one of the points made by some of us when the rationing was first introduced that the rationing should be introduced only if the Government of India gave a guarantee that the ration, as then introduced, would never be reduced. We want, therefore, a definite assurance from you, sir, that the ration limits will not be reduced. The ration limit, in fact, is now proving, as I have already remarked, less than what is required for the necessities of the people. It is because of this that we earnestly request you not only not to reduce the ration limit but to increase the ration limit.

There is one further aspect of this which needs to be emphasized; and that is that the City of Bombay being an industrial city, and several prominent cities in the Presidency being also industrial, if any thing happens to disturb the food ration of the people there will be a very strong civil commotion and the industries of the city and the province will be seriously affected. Surely, any such industrial disturbances will not be contemplated by Government with equanimity.

One of the contributory factors of the present impasse may be the exports. It is said that the export of foodgrains from the country is only 2 per cent. While technically and from the

figures as they are published this may be true, my Committee should like to point out that there are invisible exports like supplies to troop ships, exports through Indian States, unauthorized exports through country-crafts, etc. The main difficulty is that either it is not possible to give the exact information, or Government do not want to give it. As long as such information is not forthcoming, it is natural for the people to get more and more apprehensive and nervous about the developments in the food situation. With regard to this food question, my Committee have been surprised and almost amazed at the administration of several sections of the Food Department being placed in the hands of non-Indian personnel. Whether it is Regional Commissioners or the Purchasing Agents or Controllers of different schemes, we find non-Indian personnel selected. What we should like to urge is that if there is any question on which there must be co-operation of the people, it is the food question and a wholly Indian agency must be employed so as to inspire confidence among the people and also because it is the Indian Officers and Indian agencies alone which can come into closest intimacy with the people and appreciate their difficulties and distress. Knowing as they do the habits, traditions and conventions of the people, they can know the solution of the food problem, while non-Indians, even with the best of intentions, cannot appreciate these difficulties nor can they find a solution. The practice of importing experts on different questions has nowadays been greatly accentuated; surely, there is no necessity whatsoever for importing experts for foodstuffs, for we can get best experts in this country itself. We appeal to you, therefore, to stop the practice of importing experts in foodstuffs and to rely upon the advice, counsel and suggestion you get from your own countrymen. The food front is the home front. My Comittee need not emphasize the fact that the home front at present, while the enemy is knocking at the gates, is extremely important. Neither Government nor the people can afford to neglect therefore the food front, i.e. the home front; and we look to you, Sir, as the Food Member of the Government of India, to tackle this problem with all the resources you can command. It goes without saying that my Committee will be willing to give you co-operation in any measures which they consider as meant for warding off the storm which is raging over

Bengal and which threatens to spread all over the rest of the country.

The reply of the Hon'ble Sir Jwalaprasad Srivastava, K.B.E., Food Member of the Governor-General's Executive Council, at the meeting of the Committee of the Indian Merchants' Chamber on 27th September 1943.

I thank you for the warmth of your reception. I do not come to you as a stranger. I claim to be one of you, and so naturally I turn to you for advice and guidance in my most difficult job.

2. To deal with a problem of this magnitude, one must first of all try and clear one's mind about its real character and implications. I must be pardoned if I say that a reply to the question you have put to me, i.e. what is the exact shortage of food from which the country is suffering, will neither place the problem in its true perspective nor indicate its correct solution.

3. Let me explain. The most acute position is admittedly in Bengal. Bengal has a population of 60 million; her main crop, i.e. rice, was reported to have yielded in 1942/43 about 7 million tons and there was a carry over of 1.7 million tons from the previous year. Under the original basic plan, it was agreed that a supply of 350,000 tons of rice from outside would place Bengal on an even keel. This quantity works out to a little over 5 per cent of the normal production of Bengal. If this were all the assistance that Bengal needed in rice from outside, surely things should not have been as bad there as we find them! Is not one entitled to infer that a good deal of Bengal's own production is not available for consumption? In any case, it shows that the help which the Centre can bring to any deficit province can become a negligible factor if the Province's own resources are not fully husbanded.

4. Thus the problem with which we are faced in India today is one not so much of intrinsic shortage but of maximum mobilization of the domestic resources of the provinces, i.e. of procurement. It may interest you to know that the total deficit declared by the provinces and States including the requirements of the Defence Services under the Revised Basic Plan is 2.8 million tons, while the surplus volunteered by the

provinces is 1.4 million tons, leaving an uncovered deficit of 1.4 million tons. The question arises why procurement is so much more difficult now than before. Is the problem essentially constitutional in character as you, sir, have put it? That if the Government of India took over food administration from the provinces the problem would largely be solved? In my view, the problem is far more complicated than this argument would imply. Among the factors which have complicated the problem of procurement, the following seem obvious :—

(i) the tendency of the primary producers to withhold their stocks from the market, who, owing to the rise in the prices of their produce and lack of consumers' goods in which to spend their increased resources, have developed a holding capacity and a bargaining power not known before;

(ii) the encouragement given by currency inflation to the primary producers to consume more of their produce than they used to do in the past;

(iii) the general tendency among all classes of people, including those who have the barest means, to buy their requirements for months in advance thus reducing the quantities available for general circulation.

If under these concurrent forces in play, 55 million of India's population keep back on the average of 1½ maund a head, there is straightaway a deficit of 2½ million tons, i.e. nearly the total deficit declared by the provinces and States including the requirements of the Defence Services. Again, if the 400 million people of India start eating on an average one chhatak of foodgrain per day, the deficit would straightaway shoot up to over 8 million tons.

5. The crux of the problem now before us is, therefore, how to improve procurement in the country. Should it be, as now, left to the Provinces and States to declare their exportable—as distinguished from marketable—surplus and to use whatever methods they consider best to procure it, or should the whole matter of procurement be a Central responsibility as you, sir, suggest? This is a question which, in my opinion,

requires the most careful study. The Long Term Policy Committee, who have just submitted report, which is now under examination by the Government of India, have dealt with this problem. They observe that the only complete, logical and satisfactory machinery would be a Central Government Foodgrains Monopoly but the creation of a separate Central Procurement Agency does not seem to them practically feasible at the present time.

6. You observe that the transport system is to no small extent responsible for the acute situation in Bengal and elsewhere. I hope, sir, that what I have stated about the proportion of Bengal's own resources as against the quota she has been allotted under the Basic Plan from outside will have shown how fallacious the statement is. I admit that in the past transport difficulties have sometimes held up the flow of grains, but the effect of this on the food situation as a whole has not been considerable. I may add that I have myself gone into this question with the authorities concerned both at the main despatching and receiving centres. i.e. Lahore and Calcutta as with the War Transport Department at Delhi and I can say that transport difficulties can no longer be used by any surplus province as an argument for a fall in despatches. In addition, we have lately opened a Storage Depot at Karachi capable of holding 5,00,000 tons for movement by ships.

7. You have referred to some of your local rationing problems. May I take this opportunity to pay a tribute to the enterprise of the Bombay Government in being the first to introduce a well-planned scheme of rationing in this country? To a people wholly unused to rationing any time in the past, rationing must present many initial difficulties. I have, no doubt, that problems as they arise from day to day receive the closest attention from the local authorities and to them you must turn with any difficulties that you may now be experiencing.

8. As to your reference to export of foodgrains from the country as a contributory factor of the present scarcity, I should have thought that the Press communique recently issued by the Government of India had fully clarified the position. May I draw your attention to that communique which proves by

facts and figures that export of foodgrains has practically stopped? I may assure you, sir, that the Government of India are exercising the utmost vigilance in the matter and I hope in future you will have no cause for complaint on this score. You must have further seen that Government of India are making strenuous efforts to bring into this country as early as possible considerable quantities of foodgrains from foreign countries and we have every intention of implementing as far as it lies in our power the recommendations of the Long Term Planning Committee to set up a Central Foodgrains Reserve.

9. Before I conclude I would appeal to you to use your great influence to prevent the evil of hoarding and profiteering. I cannot too strongly condemn these crimes against humanity. I will myself show no quarter to those anti-social elements who are in the racket and I hope there will be no indulgence shown to them by you or anyone else. Gentlemen, I thank you once again.

APPENDIX 131

Food Situation in India

Telegram dated 9th October 1943 from Chamber to Food Department, Government of India

Committee Indian Merchants' Chamber view with growing concern the food problem of the country ever since the war broke out. Unfortunately, the critical situation with regard to food has been accentuated since almost two years and Committee have found that both the Central and the Provincial Governments have practically confessed their helplessness in the face of this food crisis. They have held Conferences, it is true, and there has been a lot of correspondence and interviews but, so far as Committee can see, all this bore no result at all. Committee deem themselves justified in writing like this, when they find that the unprecedented situation has arisen of hundreds of people dying every day of starvation in the capital of Bengal, and the second city of the British Empire, and a far larger number of deaths taking place in the districts of Bengal. Committee had recently an interview with Honourable Food Member, but they cannot say that this interview has

removed their fears or given them any assurance with regard to the future. The fundamental problem is one of supply of food and no amount of conferences or correspondence can supply food unless the Central Government move away from the policy they have been following for some time past,—a policy of sheer helplessness,—and take up and adopt a bold, farseeing and statesmanlike policy of asking for definite co-operation of the Provinces with the policy laid down by the Central Government. Committee have come to learn of a recent incident which perhaps goes to show how there is sort of anarchy going on with regard to the different Provinces *vis-a-vis* the food problem. While the Food Conference was going on at Delhi the United Provinces Government promised to supply Bombay with 40,000 tons of wheat, but recently the Government of India have informed the Bombay Government that they would not be able to supply 40,000 tons but only 14,000 tons. Committee understood, again, the Honourable Food Member to say that there were certain Provinces where if there was any attempt at getting the hoards out there might be bloodshed. These are instances typical of the whole situation and Committee adduce them merely to show how far the situation has worsened and how it will grow still worse unless the Government take up a bolder attitude and face it with a definite clear-cut policy. It is, as Committee have several times said, a constitutional question and not merely an economic question which has arisen at present in the country. Several Ordinances have been issued by the Government of India and, so far as Committee are aware, no province has refused to accept even one of these Ordinances. How is it then that only with regard to the question of food, the Provinces have refused to obey the behests and suggestions of the Central Government? The Government of India must determine, now and at once, as to what are the stocks held in the surplus Provinces and what is the deficit of the deficit Provinces. An *ad hoc* Committee of non-official businessmen and economists, with certain officials to give them the required figures, statistics and other information, should at once be appointed and be given, if need be, statutory powers to deal with the whole question. Time is of the utmost importance and it is highly desirable and essential that not a single day should be lost in coping with the situation. That hundreds

of people should be dying, that thousands should be suffering from starvation, and yet neither the Central Government nor the Provincial Governments concerned should be able to do anything reflects the greatest discredit upon all concerned.

The Hon'ble the Food Member gave it as his opinion that hoarding, over-eating and tendency on the part of consumers to buy their requirements for months in advance were some of the principal reasons for the crisis that had arisen. My Committee venture to say that this sort of analysis and the analysis of the Secretary of State for India is not only palpably misleading but also if my Committee may so put it, adding insult to injury. Sir Purshotamdas Thakurdas has recently well remarked that there was a tendency to fasten the blame for the existing situation on a class of people called hoarders and make a scape goat of them. The real responsibility lies upon the shoulders of the different Governments, Central and Provincial, which have also been hoarding with a view to profiteering but the Government in order to evade their own responsibility, have fastened upon a mythical entity called hoarders and whenever any official utterance is made these so-called hoarders are damned. The Hon'ble the Food Member is reported to have observed at a Press Conference that the countries which would be sending out foodgrains to India would require something in return. My Committee beg to suggest that payments to such countries may be made from sterling balances lying with His Majesty's Government. My Committee have found that the "Grow-More-Food" campaign has fallen flat and they are of opinion that expedients like the "Grow-More-Food" campaign, making more fertilizers available to growers, securing more agricuitural machinery, improvement of irrigation and other facilities, etc. are really long term suggestions and however urgent and desirable in themselves cannot affect the existing crisis nor yield immediate results. What is vitally required at present is the import of foodgrains from foreign countries at the earliest possible moment. The Committee are glad to note that in this opinion of theirs the Hon'ble the Food Member also has concurred. Shipping should at once be set apart for getting wheat and other foodstuffs from Australia, Canada and U.S.A. India is a part of the United Nations and this starvation disaster to India must be considered on the lines of a military dis-

aster of the first magnitude. Just as in the case of any military disaster the United Nations would have rushed all their forces, military, aerial and naval, to the help of India, so now they should rush all their resources as soon as possible to save India from the food crisis which has arisen and which may give her a crippling blow *vis-a-vis* the war. There was recently a news report that Australian Government were themselves very eager and anxious to come to the help of India and to send big quantities of wheat to feed her starving population. Surely, the Government of India should take advantage of this generous offer and press upon His Majesty's Government to place sufficiently large shipping at their disposal to get the required foodstuffs into the country. There was also another news item in the press that the Government of India had spent four crores of rupees for martial law in Sind. The feeding of the starving population of Bengal and the other suffering provinces is as big and important a task as the task of putting down the menace of the Hurs; my Committee hope and trust that the Government of India will spend funds unstintingly in the relief of the starving provinces as they did with regard to suffering in Sind. My Committee have always in their communications insisted on utilizing a wholly Indian personnel for the administration of the food department and for all other work connected with the question of food. Unfortunately this is not done. As my Committee have pointed out in their interview with the Hon'ble the Food Member the reason why they wanted Indian personnel for these problems was that a wholly Indian agency would inspire confidence among the people and Indian officers and Indian agencies alone would come into closest intimacy with the people and appreciate their difficulties and distress. Knowing as they did the habits, traditions and conventions of the people they could know the solution of the food problem while non-Indians even with the best of intentions cannot appreciate these difficulties and find a solution. Further, frequent changes in the personnel do not create sense of responsibility or help the continuity of policy or action and the responsibility is passed on from one shoulder to another. Indian armies when they were sent to the Middle East and the Far East are said to have been provided from here with all their food materials. It is but reasonable that non-Indian armies which come here

should have also their food materials provided by the countries of which they are nationals. My Committee will be obliged if you will kindly let them know what is the position with regard to supply of food to these foreign armies here. My Committee have suggested that the foreign armies should have their own supplies of foodstuffs looking to the grave situation which prevails in this country. They consider that if arrangements are made for import of fairly big quantities of foodstuffs the supply within the country will automatically come out and whatever little there is of hoarding cannot remain in stock when fresh supplies of fairly big quantities are coming in the country.

Letter No. PA-294 dated 12th October 1943 from Food Department to Chamber.

I am directed to acknowledge, with thanks, the telegram dated the 7th of October, from the Committee of the Indian Merchants' Chamber, on the Food Situation, the contents of which have been noted.

2. As regards the question put in the last paragraph of the telegram, I am directed to reply that the food problem of India, today, is primarily one of foodgrains and that the consumption of foodgrains by the non-Indian military personnel referred to is inconsiderable. I am to add that His Excellency the Commander-in-Chief has ordered that new troops coming into India should not be an additional burden on the food supply situation of this country.

Letter No. 2482 dated 21st October 1943 from Chamber to Food Department.

I am directed to acknowledge the receipt of your letter No. PA-294 dated the 12th October 1943. My Committee note that " His Excellency the Commander-in-Chief has ordered that new troops coming into India should not be an additional burden on the food supply situation of this country." While they appreciate the action taken in this regard, they would, at the same time, like to point out that the order in question should not be confined only to " new troops coming into India." There are already a large number of foreign military personnel stationed at different parts of the country and if arrangements are made with the Governments of the countries concerned that the requirements of foodgrains and other food supply in respect

of such personnel should be provided by them, the supply situation in the country would to that extent be easened. My Committee are emphasizing this aspect particularly in view of the extreme condition of shortage experienced within the country; moreover, the Government of India could reasonably suggest to those foreign Governments, in view of the existing shortage, that they should agree to relieve the position by at least making provision for their nationals in the army or other forces stationed in India.

It is hoped that Government will see the reasonableness and force of the above suggestion and take steps to arrange that the supply requirements of not only new troops coming into the country, but of all foreign troops in the country, are met by the respective allied Governments.

APPENDIX. 132

All-India Control on Foodgrains

Telegram dated 5th July 1943 from Chamber to Food Department, Government of India.

Committee Indian Merchants' Chamber greatly perturbed at reports that Government contemplate withdrawing control on foodgrains from all Provinces in the country excepting three. They are seriously apprehensive that such a decontrolling process will lead to disaster. Having instituted control system in the whole country, it is now too late in the day to withdraw control. It will lead, Committee are afraid, to hoarding, to the spiral flight of prices and to practical starvation of poor and middle-class people. It must be remembered that Government of Bombay have introduced rationing in the City of Bombay with a population now of about 20 lakhs, which means control and guaranteed supply of rationed articles by Central Government to Bombay Government. The whole rationing scheme will have to be stopped and scrapped if control is removed. Committee earnestly request Government of India should arrange with surplus Provinces to make grain available to Bombay. They learn that supply position of rice in Bombay will be extremely serious in a short time. It is not possible to make people change over from rice to wheat without serious risk of health. Committee therefore urge that rice should

be made available from surplus Provinces. Committee also urge that all possible steps should be taken to get wheat from Australia as otherwise food position will become serious. Committee request Government to consider all these problems favourably and not to take any steps which will bring about disaster in the country.

APPENDIX 133

Food Department to be under the Control of War Transport Board

Telegram dated 19th April 1943 from Chamber to H. E. the Viceroy.

Committee Indian Merchants' Chamber have learnt that the food department which is at present in charge of the Hon'ble Member for Commerce is going to be transferred to the Hon'ble Member for War Transport. Committee beg to protest strongly against such a transfer. War Transport Department is a department with grave and outstanding problems of its own and to transfer such a big department like the newly created Food Department alongside the War Transport Department to the control of one member will not be fair either to the member himself or to the public. The Food Department is faced with a grave, acute and critical situation and upon its successful operations depends not only the security but also the health of millions of the people. The supply of food is necessary not only for the defence forces which are located in such big numbers in the country but also for the civil population and it is not advisable to place this department alongside the War Transport Department in the hands of one member. Committee are of opinion that either the Food Department should continue to remain in charge of the Hon'ble the Commerce Member or it should be placed in charge of a special member. They also strongly suggest that whether it is placed in the hands of the Member for Commerce or in charge of a special member that member should be an Indian of a large commercial business experience as this department like the Supply Department will require for its intricate problems experience of business and a deep and intimate acquaintance with the man-

ners, customs, habits, sentiments and feelings of millions of Indian people as also the military forces.

APPENDIX 134

Appointment of Regional Food Commissioners

Telegram dated 19th April 1943 from Chamber to Food Department, Government of India.

Committee Indian Merchants' Chamber have seen the announcement in the press regarding the appointment of Food Commissioners. They consider that if the policy proposed to be pursued by Government by appointing these co-ordination officers is to prove successful these officers should all be Indians who can understand the Indian conditions and the sentiments and feelings of the Indian people in these serious times. It would have been better also if Indians preferably of business experience are appointed as the food problem presents difficulties of a particularly severe type and requires business acumen of no small order to tackle the problems which have arisen and which will arise in future regarding the food situation. It is hoped that these suggestions will be taken into consideration at the time of the appointment of the Commissioner for region five.

Telegram dated 20th April 1943 from Food Department to Chamber.

Your telegram all points you mention and many others given full and anxious consideration, but it is clear from your telegram that Regional Commissioners' tasks not fully appreciated. Briefly their main purpose lies in ensuring application and execution of Central Government's policies and plans which in turn means dealings with many Governments and it is more predominantly for their competence in that field that Commissioners have been selected individually.

Letter No. 1330 dated 27th April 1943 from Chamber to Food Department.

I am directed by the Committee of this Chamber to acknowledge the receipt of your telegram of the 20th instant. My Committee may assure you that they have fully appreciated the tasks and functions of the Regional Food Commissioners and

that they sent their telegram to you after having considered the situation and given their anxious thought to it. It is stated in your telegram under reply that :

> " their main purpose lies in ensuring application and execution of the Central Government's policies and plans which in turn means dealing with many Governments and that it is predominantly for their competence in that field that Commissioners have been selected individually."

The implication of this appears to be, my Committee are afraid, that Indian businessmen or leading non-official Indians may not be suitable for such a work and that only non-Indians or Indians who might have filled some official position would be suitable occupants of such posts. Indian businessmen and non-official Indians in public life have, by this time, shown their capacity for work in some of the highest offices under the Crown, and it is, perhaps, too late in the day now to suggest that they may not be able to co-ordinate the food problems, policies and administration of different provinces. My Committee still hold that, if the Department has to work successfully, there must be a large element of Indians in the Department, and specially posts like Regional Food Commissioners should be filled by Indians. It is unfortunate that the value of human touch is not still rightly appreciated at its real value in this country. The Department of Food has before it tasks and responsibilities, which are great, indeed. My Committee want that the Department should be successful in the work set before it. It is because of this, that they have presumed to offer their criticism and comments.

My Committee should also like to urge emphatically that the purchasing agents appointed or going to be appointed in different Provinces should all be Indian firms. My Committee have gone through the correspondence between your Department and the Federation of Indian Chambers of Commerce and Industry, and appreciate much your observation that " it is very definitely the intention and policy of the Central Government to see that trade machinery, trade channels and trade methods will be employed to the greatest practicable extent." It is just because of this that they strongly suggest the appointment of Indian firms as purchasing agents. Indian firms have

a large and intimate connection with trade, extending over years, and they have got the added advantage of knowing full well the habits of life and methods and customs and sentiments and feelings of their countrymen.

In this connection, my Committee understand that Messrs. Steel Bros. have been appointed purchasing agents in Assam; Messrs. Shaw Wallace in Bengal, and Messrs. Owen Roberts in the Punjab. Names of other foreign firms are being mentioned for appointment in U. P. and C. P. If these reports are correct, it means that practically the official patronage and business are being concentrated in the hands of non-national agencies. Such a policy is not in keeping with the assurances of Government's anxiety to employ the ordinary trade machinery and trade channels for the purpose of Gaovernment purchases. There are well-established Indian business houses and merchants, who have been in the foodgrains trade for a large number of years. It is but fair and proper that the services of such reputed national agencies should be enlisted by Government for this purpose. Apart from the immediate injustice involved in any measure of diversion of business from Indian to non-Indian agencies, there is the serious danger that even at a subsequent stage these non-national agencies will be able to maintain their hold, which they are now assisted in securing in the markets because of the prestige and authority vested in them as agents of Government. My Committee, therefore, emphasize that the matter requires to be reconsidered.

My Committee note that the work of appointment of these purchasing agents rests with the Provinces. They are, however, writing this letter to you to impress upon the Government of India the necessity of having suitable Indian agencies, so that the Government of India can recommend to the various Provincial Governments the advisability of adopting a policy of having only Indian agencies for their purchasing work.

Letter No. G-II(35) dated 11th May 1943 from Food Department to Chamber.

I am directed by General Wood, who is on tour, to acknowledge your leter No. 1330 of the 27th April, 1943. The Food Department appreciate the force of the arguments you have

used and wish me to assure you that they always welcome helpful criticism and advive such as your letter contains.

2. As regards the Regional Food Commissioners, you will have observed that all the six posts have now been filled, by three Indian and three European gentlemen. As regards the qualifications for which they were selected, Food Department have nothing to add to General Wood's telegram of the 20th April. The duties of Regional Food Commissioners will be largely of an administrative and co-ordinating nature, and, where they require technical advice, they will no doubt seek it from sources experienced in the trade.

3. As regards Purchasing Agents, the Government of India have not yet received information from all Provinces and States about the forms of Purchasing Agencies that have been set up, but information so far available indicates that a number of Indian firms have already been appointed, and there is little doubt that Provincial and State Governments will seek the assistance in this field of business houses having experience of the grain trade and of the locality, of which the majority must necessarily be Indian firms.

Indian business firms are also likely to be invited by the Government of India to assist them in establishing Inspection Panels under their Foodgrains Scheme.

I am to request that you will assure your Committee that the important considerations, which you have urged, have and will continue to have the close attention of the Government of India.

Letter No. 1603 *dated 27th May* 1943 *from Chamber to Food Department.*

I am directed to acknowledge the receipt of your letter dated the 11th instant, No. G.II(35)/43.

While my Committee appreciate what you have stated in your letter regarding their helpful criticism and advice, they regret that Government have not still resiled from their original position regarding the appointment of Food Commissioners. They trust that Government will accept their assurance that they are not carrying on this correspondence for merely carrying out some technical points. They definitely believe that the success of the working of the new Food Department will depend,

to no small extent, upon the Food Commissioners. These Food Commissioners will not be merely ordinary executives entrusted with some routine work. The food question is at present one of the most important problems, confronting both Government and the people; and likely to play no small part in the carrying out of the war operations. The persistent, patient and unremitting working of industrial labour and production of factories and workshops is essential for the present-day war operations; similarly, to an equal degree, the solution of the food problem is important. It is because of this that Food Commissioners are required, who command the confidence both of Government and the people and who have besides a far-sighted vision and statesmanship, intimate knowledge and experience of the food problem of the country, as well as great and sympathetic intimacy with the habits and modes of life of the different classes of the population. It is, under these circumstances, that my Committee have been pressing for the appointment of suitable Indians as Food Commissioners. They hope that Government will be pleased, in order to ensure the successful working of the Food Department, to accept their suggestion.

Letter No. PA-310|2 dated 14th June 1943 from Food Department to Chamber.

I am directed to acknowledge the receipt of your letter No. 1603, dated the 27th May, 1943 and to say that the Government of India have again given their careful consideration to the points made by you but regret that they cannot add anything useful to the reply already communicated in this Department letter No. G.II(35)/43 of the 11th January 1943.

APPENDIX 135

Purchase of Food Supplies under the Government of India Scheme

Letter No. 1224 dated 19th April 1943 from Chamber to Supply Commissioner, Government of Bombay.

The Committee of this Chamber have noticed from a reply of the Government of India to the Federation of Indian Cham-

bers of Commerce and Industry, dated 6th April 1943, that the responsibility of appointing purchasing agents for the purchase of foodstuffs under the Central Government's plan is put on the various Provincial Governments and Indian States and these administrations are enjoined to utilize the normal trade machinery, trade channels and trade methods to the greatest practicable extent. A copy of this reply from the Government of India is sent herewith for easy reference. The Government of India say that the Central Government are not at all responsible for the appointment of either the purchasing agents or the distributing agents in various provinces. Under the circumstances, I am directed by my Committee to request you to be good enough to inform them as to what arrangements the Government of Bombay have made with regard to the purchase and distribution of foodgrains. The anxiety of the commercial community naturally is that the appointments made under the Central Government's plan should not amount to a serious interference in the normal inter-provincial channels of trade particularly in view of the fact that the trade has entirely been in the hands of Indian firms in the past. My Committee will, therefore, welcome an early reply from you giving information on this score.

Letter No. 446|80273-II dated 23rd April 1943 from Director of Civil Supplies to Chamber.

I am directed to refer to your letter No. 7224 dated the 19th April 1943 regarding the appointment of purchasing agents and to state that the Government of India Procurement of Foodstuffs Scheme applies more properly to the surplus provinces and not to such deficit areas as the province of Bombay. In the case of the latter, however, it is essential to secure control over such local resources as may be available, and with that end in view, the Provincial Government has been making purchases of foodgrains in the districts through its own officers and through two Indian firms.

APPENDIX 136

Orders Relating to the Control of Movement of Foodgrains

Letter No. 661 dated 3rd March 1943 from Chamber to Supply Commissioner, Bombay.

Government have been, from time to time, issuing orders regulating and controlling movements of certain foodgrains, etc. These orders are issued by various authorities. There are again orders issued by Local authorities such as Collectors of the different districts banning the movement of foodgrains outside their limits. Then there are certain Central Government orders, for instance, orders under the scheme of Wheat Control which prescribe certain formalities to be observed in the handling of such grains. Another order regarding limit for the carriage of foodgrains as personal luggage by passengers over the railways is also in existence.

All this has naturally led to a good deal of confusion among the public. My Committee, therefore, suggest that in order to make the position clear from the public point of view, a brochure explaining the implications and the cumulative effect of all the orders issued, may be published in common phraseology so as to be intelligible to the lay public.

Movements of foodgrains like wheat, rice, etc., are controlled. There are also again regional controls prescribed by the different district authorities banning the removal or export of such goods without necessary permits. The position of a person who, for instance, acquires supplies of some of the foodgrains for his personal use in any district and gets the necessary export permits from the district authorities concerned should be made clear. Is he entitled to bring the grains without any further formalities to Bombay, or is the same liable to be stopped and frozen when it reaches the city limits here?

It is understood that, under the existing orders, it is permissible for a person to carry as personal luggage over the railways foodgrains upto a maximum of five maunds. The exact implication or interpretation of the provision should be made clear. Instances have been brought to the notice of my Committee where transport of such grains as personal luggage over

and above the free allowance entitled to a ticket holder has been prevented.

The question also arises whether quantities of foodgrains brought in as personal luggage, within the prescribed limit, are again subject to the restrictions or bans imposed by the different provincial or district authorities. Thus, can a passenger bring for *bona fide* personal requirements wheat within the prescribed quantity as personal luggage, say from Nasik to Bombay, or is it liable to be stopped at any intermediate station as having infringed any restriction or ban imposed by any local authority? Again, when the passenger reaches a station within the city limit, say Victoria Terminus, is he free to take the quantity with him or does the freezing order begin to operate?

Under the Wheat Control Order an import permit from the Wheat Controller is required to be taken for bringing wheat into one province from another or from a Native State. Recently, an instance was brought to the notice of my Committee in which a member, who had his own wheat in Baroda and who with an export permit from the State authorities was bringing a bag of wheat for his own personal use in Bombay, was prevented from doing so at Dhanduka by the British Customs authorities on the ground that a further import permit was necessary to take the same into British Indian territory. It occurs to my Committee that where there is already an export restriction and where a permit to export had already been obtained, the formality of a further import permit should not be insisted upon. The Government of Bombay have all along claimed that they have not imposed any restriction on the bringing into the provincial territory of foodgrains from outside sources and that the main difficulty was that exporting provinces and states had their own restrictions and regulations governing export. In this particular case where export had been authorized, it is causing an avoidable hardship by preventing imports simply because a separate import permit had not been obtained.

It has also been pointed out to my Committee that passengers found with foodgrains even in small quantities without a permit or authority have been prosecuted and even imprisoned on conviction. After all, the offence, if any, is only of a

technical character and possession or carriage of grain for personal purposes should not hold a person liable to such punishments. Committee would like Government to consider sympathetically this aspect of the matter.

My Committee request that Government will be pleased to clarify the points raised herein, at an early date.

Letter No. 410/71419-II dated 29th March 1943 from Director of Civil Supplies to Chamber.

With reference to your letter, No. 661, dated the 3rd March 1943, on the above subject, I have the honour to state that a Press Note fully explaining the Orders of Government, in so far as they apply to Bombay City and Bombay Suburban District, regarding possession, declaration, import, export and disposal of foodgrains has been prepared and will be issued shortly.

2. As regards restrictions imposed by other Provinces and the Central Government or by the District Magistrates, I am to state that it is not possible to issue a similar comprehensive Press Note to explain them. The reason is that, information about the former is not fully available and that available about the latter is so diverse as not to admit classification. Government is, however, considering advising the District Magistrates to issue a Press Note on the model of the one proposed for Bombay and Bombay Suburban District, as soon as the latter has issued.

Letter No. 1144 dated 9th April 1943 from Chamber to Supply Commissioner, Bombay.

I am directed to acknowledge receipt of your letter No. 410/71419-II of the 29th March on the above subject. My Committee note that Government propose to issue shortly a Press Note fully explaining the orders, in so far as they apply to the City of Bombay and the suburban district, governing possession, declaration, import, export and disposal of foodgrains.

Government, however, observe that as regards restrictions imposed by other provinces and the Central Government, it is not possible to issue any such note explaining the position, as information about the same is not fully available. It will be appreciated that if Government find difficulty in keeping them-

selves abreast of the developments in other provinces, it is more so in the case of a private citizen. It should be possible for Government to get into touch with the other provincial Governments and the Central Government and arrange for the publication of a concise note giving an outline of the position as it obtains in the different provinces.

In the case of controls issued by various district authorities within the province, my Committee wish to reiterate that the present unsatisfactory position should not be allowed to continue. There is a good deal of confusion arising on account of the existence of inter-district restrictions on movement and the least that could be done to avoid the inconveniences and hardships consequent upon the present position, is to place prominently before the public the exact position as obtaining in the various districts. My Committee note that Government are considering the desirability of advising district magistrates or Collectors to issue Press Notes on the model of the one proposed for Bombay. It is hoped that action on those lines will be taken at an early date and an effort will be made to collect together information about the different districts in a comprehensive note.

APPENDIX 137

Interview with Mr. A. D. Gorwala, I.C.S., Supply Commissioner, Government of Bombay

Summary of Mr. Gorwala's replies at the meeting with the Committee of the Chamber on the 23rd March.

Mr. Gorwala after thanking the Committee of the Chamber for the opportunity afforded to him to meet them pointed out that the observations made by the President raised various issues of general policy. Such issues, while they were important, were not germane to the question of rationing which he wished particularly to discuss with the Committee. He recalled the circumstances preceding the decision of the Government of Bombay to introduce rationing and added that Government came to that decision with the greatest reluctance. The fundamental object behind the scheme was to secure a fair and equitable distribution of the available supplies of food-

stuffs between all the citizens of Bombay. It was not proposed to reduce the quantity of foodstuffs issued to Bombay as a whole; as a matter of fact, under rationing, perhaps, the total quantity issued would be slightly more than the normal off-take under the existing conditions. He then explained in detail the procedure, the arrangement and the formalities connected with rationing. It was proposed that workers in industrial concerns should get their ration through shops run by such establishments; other citizens would get it through Co-operative Societies or communal stores or Government Grainshops or retail stores selected and recognized by Government for the purpose. He drew attention to the detailed instructions which had been issued through the Press regarding registration of ration card-holders with recognized stores and procedure in securing the ration, arrangements and the limit prescribed for choice in respective alternative grains.

A general discussion then ensued in which various members of the Committee participated. Specific questions were put, on which information was sought and the following is the summary of the replies given by Mr. Gorwala on the different questions and issues raised during the course of the discussion :

Quality and Inspection.—Several members laid emphasis on the need for ensuring a fair quality of grains being supplied under the rationing scheme and to that end suggested strict arrangements for inspection both at the purchasing ends and in the places of storage here.

Mr. Gorwala explained that so far as wheat was concerned, the supply was purchased by the Central Government and then allotted by them to Bombay. Strict conditions had been made with the buying agents regarding quality. The Government of Bombay had also made its own arrangements for inspection after the goods arrived in Bombay also.

The complaint in regard to quality, as far as Bajri was concerned, arose because of larger admixture of earth in supplies in the past. Greater care was being taken in this regard and strict instructions had been given to inspectors to see that such admixture was reduced to the minimum.

Bombay was getting its supplies of rice mainly from C. P. and Sind and the two Provincial Governments were making

purchases within the provinces and sending them over to Bombay. An Inspector had been deputed to the C. P. to supervise inspection and despatches. Incidentally, he mentioned that, as far as he could understand, the complaint in regard to rice was more about boiled rice having been supplied than about quality as such. While Government were taking every precaution to see that the quality obtained was good, he submitted that, being a deficit province and there being an all-round shortage, Bombay could not afford to be very fastidious about quality and would have to accept supplies which could be deemed as reasonably fair.

Inadequacy of Ration for Vegetarians.—It was pointed out during the course of the discussion that under the existing arrangements, both vegetarians and non-vegetarians were to get the same ration of cereals. Non-vegetarians could supplement the same by such non-vegetarian food as they were accustomed to, while vegetarians would be entirely dependent on the foodgrains they got under the rationing scheme. There appeared, therefore, to be a case for increased foodgrain ration for vegetarians.

Mr. Gorwala, in reply, pointed out that that aspect had been fully considered. In the first place, it was difficult to distinguish between vegetarians and non-vegetarians as the variations or proportions of vegetarian and non-vegetarian food, generally taken, differed from person to person. He further pointed out that in justification for treating both alike, as far as supply of cereals was concerned, vegetarians could also supplement their diet by milk products, vegetables, fruits, etc. At any rate, he felt that as long as the basic ration was deemed sufficient to meet the normal requirements of vegetarians there was not much point in the complaint.

Manual Labourers.—Enquiries were made as to whether the extra 50 per cent ration for manual workers was meant only for industrial workers or whether the same could be claimed by all types of manual workers.

Mr. Gorwala explained that all labourers excluding domestic servants and office peons were entitled to the extra ration. By the term manual worker, it was intended to cover coolies handling goods in bazaars, dock workers, workers in small factories,

etc. He, however, made it clear that domestic servants would not come under this category.

The Committee, however, expressed their strong view that all domestic workers should also be deemed to be covered for the purpose of the extra ration as, such workers generally had to do work of an arduous character and consumed larger quantities of food.

Mr. Gorwala promised to get the matter considered further.

Priorities and Privileges.—Questions were asked if under the rationing scheme any class of persons would be deemed as being entitled to priority or privileged treatment either in the matter of quantity or quality in regard to supplies of rationed articles.

Mr. Gorwala assured the Committee that there would be no such special treatment and that all persons would be treated uniformly for the purpose of rationed supplies.

In reply to a specific enquiry about supplies to military, he added that the responsibility for feeding the military was that of the Government of India and that the Government of Bombay would not have to provide supplies of foodstuffs for military requirements.

Hoarded Supplies with Shop-keepers.—It was pointed out that hoarded supplies with shop-keepers which might have deteriorated in quality might be given over to consumers after the rationing and that precautions against any such developments should be taken.

Mr. Gorwala observed in reply that at present shop-keepers had no hoarded supply and, therefore, there was no justification for any such fears.

What is Hoarding? Information was sought as to what would constitute hoarding.

Mr. Gorwala explained that there was no definition of what exactly constituted hoarding. The essential articles control order, however, prohibited a person from acquiring, except under permit, any cereal foodgrains, viz. wheat or wheat products, rice including paddy or rice products, jowar or bajri, if by so doing the quantity of these articles in his possession or under his control exceeded the normal quantity required for

use and consumption in the household or establishment of that person during the period of one month. He further explained that a ration card-holder would not be entitled to take his ration if he had a month's supply with him. If, however, the card-holder had no supply of one particular foodgrain, e.g. wheat, he would be entitled to the proportionate quantity of that grain in terms of the units allotted to him. Under the existing orders even private stocks would have to be declared if they exceeded ten maunds of each foodgrain.

Wheat Supply to Bakeries.—Mr. Gorwalá's attention was drawn to the fact that while wheat was not being sold anywhere in Bombay either in private shops or in Government stores, such supplies as were being received on Government account were being preferentially allotted to bakeries, thereby showing some preference to bread eaters over consumers of wheat in other forms.

Mr. Gorwala explained that the quantity of wheat received was not adequate for general distribution. Certain restricted quantities were, therefore, being given to bakeries and hotels as the poorer classes generally were dependent on bread or wheat products purchased from hotels. He, however, added that under rationing all would get wheat on a uniform basis.

Supply for Suburbs.—In reply to enquiries about supplies for suburbs, he mentioned that after rationing, it was hoped to increase the quantity of supplies to the suburbs. He promised to go into the question of larger supplies to shops run by charitable organizations in the suburbs. He also promised to go into the case of supplies and recognition of a communal store, to which his attention was particularly drawn.

Control over Movement.—Several members complained about the existing orders banning movement of foodgrains from one district to another and the consequent disabilities on the transport of grains even as personal luggage by passengers. It was particularly stressed that a person who had his own foodgrains up-country either belonging to himself or produced in his own farm should be entitled to bring the same to Bombay and consume it against his own ration.

Mr. Gorwala explained that the district control was necessitated by the fact that most of the districts in the presidency

were not self-sufficient in respect of their own internal requirements and consequently, the Collectors of the Districts, with a view to see that the supply within the district was conserved for local requirements, had put bans against exports outside the district limits. It was but fair that the local population should have the first claim on the available supply in such districts. He, however, added that if any person arranged to get to Bombay his own supplies of foodgrains and agreed to count it against the ration, the Government of Bombay would not object to the same. Only a formal release order would have to be obtained as soon as the supplies arrived here.

In this connection, the Committee strongly supported the suggestion which had been made in the Food Council that even after the introduction of rationing a person should be allowed to bring to the city foodgrains upto a maximum of four paylees without any restriction and without affecting his ration.

Mr. Gorwala said that the suggestion was already before Government and was being examined although he felt that there were certain practical difficulties in agreeing to the same.

Exchange of Wheat for Bread.—In reply to an enquiry, he explained the procedure prescribed for the exchange of wheat quota for bakers' bread. Such exchange could be made either in part or in full, i.e. out of the quarter paylee of wheat available for a person he could retain 1/8 paylee as wheat and exchange 1/8 for bread.

Exports — Surat Orders Regarding Limitation of Stocks.—His attention was drawn to certain reports about exports of large purchases for export outside Bombay. He replied that to the best of his information, no such exports had been allowed. If, however, further particulars were furnished, he would look into the matter.

Reference was made to certain conflicting orders issued in Surat regarding limitation of stocks held by a person at a time. He promised to look into the same.

Casual Visitors and Temporary Absence.—Information was sought as to whether a card-holder who was going on a holiday to a Hill station could take his ration for the period along with him. Mr. Gorwala made it clear that that could not be done. Regarding temporary visitors, any person coming for a stay of 7

days or more would be entitled to a separate card; if he was staying with a friend or a relative. If, however, he stayed in a hotel, there was no need for a card as the hotels would meet his requirements from the extra ration given to them. For stays of a shorter duration, the host would have to accommodate the guest from his own ration.

Distribution through Commercial Establishments.—Mr. Gorwala made it clear that the existing arrangement for distribution of foodstuffs through commercial establishments would cease with the coming into force of rationing. Clerks and employees of establishments would have to get their supplies through any of the recognized stores or co-operative societies.

Prices and Qualities.—It was suggested that different prices for different qualities of the rationed foodgrains should be fixed and that any system of averaging in prices without regard to quality would entail hardship. The former procedure would enable a person, who was prepared to pay a little more, to get better quality.

Mr. Gorwala, in reply, pointed out that in a system of rationing, it would be very difficult to guarantee variety. The question, however, of fixing differential prices for different qualities was being considered.

Adequate Supply.—Great emphasis was laid by several members on the need for making proper arrangements for adequate and continuous supplies of foodgrains for Bombay and it was urged that Government should give the public a general assurance in that regard after themselves getting an assurance from the Central Government that their needs would be fully met.

Mr. Gorwala, in reply, pointed out that they had a fairly good stock to start with; their present stock would see them through well into June and it was hoped that, in view of the good harvest, future supplies would also be satisfactory. Every effort was being made to augment the supplies and as far as he could see no serious difficulties need be anticipated. It was, however, not possible either for the Government of Bombay or for the Government of India to give anything in the nature of a guarantee. In fact, the Government of India were fully alive to the needs of Bombay and had assured that supplies larger than those needed for the city would be made available. He

also, incidentally, referred to the constitutional position and all that the Government of India could do was to exercise moral pressure on surplus provinces to deal with the deficit provinces in a fair manner. On the whole, the efforts of the Central Government were proving successful and Bombay could hope to get a reasonably fair supply.

In reply to specific enquiries, Mr. Gorwala made it clear that the Government of Bombay were not looking at the question of prices paid for foodgrains in a bargaining spirit and that they were always prepared to pay good and reasonable prices; but, where exports outside provincial limits were under control and could only be possible under permission from the provincial Government concerned, the price factor would not very much influence the supplies that would be authorised for export.

In winding up the discussion, Mr. Haridas Madhavdas again stressed the strong views held by the Committee in the matter of (1) steps ensuring adequate and continuous supplies; (2) exercising care in regard to quality; and (3) freedom to a person to bring foodgrains upto a limit of four paylees without any restriction or without affecting his ration.

The President wound up the discussion by again thanking Mr. Gorwala for the interview.

APPENDIX 138

Food Requirements in Bombay

Telegram dated 30th September 1943 from Chamber to Food Department, Government of India.

With reference to replies of Hon'ble Food Member to Committee Indian Merchants' Chamber at their interview with him Committee are seriously apprehensive that Government of India have perhaps not properly appreciated the position of rice in Bombay. It is estimated that there will be a deficit of 250,000 tons of rice and 650,000 tons of millets. This rice deficit will have to be made good by imports, the millets deficit may be made good by our own provincial rabi crop. The jowar and bajri deficit which will be something like 100,000 tons will have also to be filled up by imports. The main question, therefore,

is about rice and unless early steps are taken time may come when Bombay will have to face similar situation as in Bengal. Committee, therefore, earnestly appeal to Government to be pleased to arrange with surplus provinces to send up timely consignments of rice to make up for the deficit and to provide against any actual starvation coming on. It must not be forgotten that Bombay is largely a rice eating province and it will be a disaster if rice is denied to it.

Letter No. P.A.-294 dated 9th October 1943 from Food Department, New Delhi to Chamber.

I am directed to acknowledge the receipt of your telegram dated the 30th September 1943, regarding the anticipated deficit in rice in Bombay and to say that Bombay's requirements are receiving consideration.

APPENDIX 139

Need for Increase in Sugar Rationing

Letter No. 2685 dated 2nd October 1943 from Chamber to Supply Commissioner, Bombay.

I am directed by the Committee of the Indian Merchants' Chamber to address Government in connection with the necessity for increasing the present basis of sugar ration in force in the City and the suburbs under the Rationing Scheme. Government have allowed 12 ozs. per week per person. Opinions have already been expressed by persons, who can speak with the force of authority on matters pertaining to dietary and nutrition, that this ration is inadequate for the requirements of normal persons and that if consumption of sugar is restricted in this manner, the same would, sooner or later, affect the health conditions of the public generally. When this is examined in the light of figures of consumption of sugar in the past, particularly in Bombay, it is obvious that there is a great deficiency as between the normal intake and the present ration of sugar. It is also an acknowledged fact that *per capita* consumption of sugar in Bombay was, even in normal times, much larger than in the rest of the country.

Apart from the inadequacy of this ration on nutritional and dietary reasons, my Committee cannot see any justification for this self-denial in the light of figures of production and supply of sugar in the country. The supply position is deemed to be extremely satisfactory and the current year's production exceeded 11 lakhs tons, including *Khandsari* sugar. There is also expected to be a larger cane crop for the next year, 7 per cent larger than last year, and the measures taken in the producing provinces to secure maximum production of sugar will also tend to reinforce the supply position so far as the future is concerned. Having regard to the existence of adequate supplies including a much larger carry-over of stocks than last year, it is but due to the consumers that their requirements of sugar are met fairly fully and that they should not be obliged, as at present, to stint in the daily use of sugar in their beverages and food.

My Committee further understand that the Sugar Controller for India also suggested to the various Provincial Governments " to exercise more generosity in the matter of sugar distribution " and that " fluctuations of demand as a result of the seasons or of social habits should be considered in the matter of fixing quotas through time."

While thus a general case for increasing the sugar ration in Bombay exists, my Committee would in particular wish to urge upon Government the necessity for an increase, at any rate, in the next few weeks, with a view to meeting the seasonal additional requirements of the people. Diwali is fast approaching and the public of the city and suburbs are accustomed to certain traditional methods of observing the same. While sugar is available and the general supply position does not justify any restriction, Government should not arbitrarily come in the way of the people in satisfying their sugar needs on such occasions. My Committee also understand that the present stocks in Bombay are of the order of about 10,000 tons, roughly equivalent to 3 months' consumption in Bombay. An increase of ration from 12 ozs. to say 16 ozs. per week for four weeks in October would mean an additional consumption of only 1,000 tons. My Committee hope that Government will lose no time in issuing instructions for an immediate increase in the sugar

ration for the next few weeks, and also consider the question of making permanent changes in the existing basis of sugar ration.

Letter No. 476-III dated 12th October 1943 from Supply Commissioner, Bombay to Chamber.

I am directed to refer to your letter, No. 2685, dated the 2nd October 1943, and to state that the amount of sugar that can be distributed to the public in Bombay City and the rest of the province does not depend on the total production of sugar in India or the carry-over of the previous season. The position today is that the sugar production of India is under control and the Sugar Controller for India allocates definite quotas to the different provinces and States. The sugar quota for this province has been fixed by the Sugar Controller for India at 1,45,000 tons for the quota year 1942-43, and whatever sugar we can distribute in the Bombay City and the districts must come out of this limited quota. It may also be observed that the total quantity of sugar available for civilian consumption in India during the sugar year 1942-43, is estimated to be 25 per cent less than normal requirements. For the " Bombay Area " the Sugar Controller has allotted about 18 per cent less than the normal requirements. In view of these facts, the present quantum of sugar ration now fixed for Bombay City, viz. 12 ozs. per head, can be regarded as adequate and cannot be increased unless the Sugar Controller increases the sugar quota for the whole province. From the latest advice received from the Sugar Controller there appears to be no chance of such an increase during the ensuing year.

Your suggestion to increase the sugar ration from 12 ozs. to 16 ozs. per week for the period of 4 weeks in the month of October on account of Diwali has also been carefully examined, but it is considered inadvisable to give such temporary increases in the quantum of ration.

Telegram dated 21st October 1943 from Chamber to Sugar Controller, Simla.

Committee Indian Merchants' Chamber had recently addressed the Bombay Government urging the necessity for increasing the sugar ration in force in the City and suburbs under the rationing scheme. In reply they were informed that

under the all-India control the sugar quota fixed for this province by you amounted to only 1,45,000 tons for the year 1942-43 and the requirements of the city and the presidency had to be met out of the said supply. Provincial Government have further pointed out that the sugar available for civilian consumption in India during the year is estimated to be 25 per cent less than the normal requirements and that for the Bombay area you have allotted about 18 per cent less than the normal requirements. The Provincial Government, therefore, regretted their inability to make any increase in the existing ration of 12 ozs. per head unless the Central Government increase the sugar quota for the whole province. As far as the information of my Committee goes the supply position in the country as a whole is expected to be extremely satisfactory and the current year's production will exceed 11 lakhs tons. There is also a larger cane crop for the next year and a much larger carry-over of stocks from the previous year. They are, therefore, unable to appreciate the justification for continuing the reduction by 18 per cent in the quota so far as the requirements of Bombay Presidency are concerned. It is pertinent in this connection to point out that even in normal times Bombay used to consume larger quantities of sugar than the rest of India. Committee wish to stress the general demand for increasing the sugar quota to the Bombay Presidency thereby enabling an increase in the existing basis of the ration.

APPENDIX 140

Shortage of Foodgrains and Sugar in Surat District

Letter No. 2035 dated 23rd July 1943 from Chamber to Supply Commissioner, Government of Bombay.

The Committee of this Chamber have received a complaint from the Surat Chamber of Commerce, drawing their attention to the extremely critical situation which faces the Surat City and the Surat District on account of shortage of foodstuffs. They have addressed the Government of India, Department of Food, on this question, a copy of which is enclosed for your information. It will be seen from their representation that the Surat Chamber of Commerce, through its Anaj Rahat Samiti (Food Relief Committee) has done good work with regard to

the distribution of foodstuffs. That Committee, however, now finds it extremely difficult to obtain the necessary foodgrains. Looking to the stock of various foodgrains in the City and in the district and the population of the City and the District, the Surat Chamber and its Food Relief Committee are afraid that the stock would not be sufficient for more than, say, one month. The prices also have naturally risen up. The Committee of my Chamber beg to approach you with a request to consider the request of the Surat Chamber of Commerce for supplies of more foodgrains favourably to avert the food trouble for the City and district of Surat.

The Surat Chamber of Commerce have also addressed a communication to the Sugar Controller, Government of India, Simla, a copy of this representation is also enclosed herewith for your information. It will be found from this, that the present quota of sugar fixed for the Surat district is insufficient to meet the normal demands of the people, and is less than half the normal supply the City and the District used to receive before the control was introduced. My Committee are informed that the District, including the City of Surat, receives at present about 4,300 bags based on the scale of 1 lb. per head per month, which is far less than what was the normal consumption of sugar per head. Generally, an individual consumes about 5 lbs. of sugar per month, while the City and District of Surat receive as their quota of sugar based on 1 lb. per head per month only. The official ration of sugar per head in Bombay is at present 3 lbs. per head per month.

Under the circumstances, my Committee beg to approach you with a request to have the quota of sugar for Surat raised on the basis of 3 lbs. per head per month, as otherwise, the low quota will have a deleterious effect on the health of the population, especially on the health of the children.

Letter No. 291|5759|*III dated* 29*th April* 1943 *from Supply Commissioner to Chamber.*

I am directed to refer to your letter No. 2035, dated the 23rd July 1943, regarding supplies of foodgrains and sugar for the Surat district and to state that an allotment of 500 tons of wheat from the Punjab has been made to the Surat district and that out of this quantity 310 tons have arrived in the district

during the last week. A further quantity of 200 tons has been despatched from Bombay during this week for Surat City. The question of securing further supplies is under Government consideration.

2. As regards sugar the quota for the Surat district has been fixed on the basis of the requirements of the urban and rural population and that the distribution as between these areas is a matter for the District Magistrate to decide. A copy of your letter is being forwarded to the District Magistrate for consideration.

APPENDIX 141

Requirements of Sugar for Confectionary and Biscuits for Messrs. Parle Products Manufacturing Company

Letter No. 117 dated 7th April 1943 from Chamber to Supply Commissioner, Government of Bombay.

Messrs. Parle Products Mfg. Co. were getting upto recently a particular quota of 111 bags of sugar per week. Recently, however, this quota was reduced by half, and they represented their case to you requesting you to be good enough to restore their original quota, as the reduced one could not suffice for their needs. They were asked to approach the Government of India, which they did; but the latter replied that the matter rested with the Government of Bombay.

Under the circumstances, my Committee approach you with a request that due provision may kindly be made by Government for restoring the original quota of Parle Products Mfg. Co. This company is one of the important new industrial ventures, and looking to the fact that the quantity of sugar available in the country is fairly satisfactory at present, the Government of Bombay will be pleased to restore their original quota.

Letter No. 113|42|St dated 3rd May 1943 from Supply Commissioner to Chamber.

With reference to your letter No. 117 dated 7th April 1948, addressed to the Supply Commissioner, Bombay, I have the honour to inform you that the sugar quota of Messrs. Parle

Products Manufacturing Co. has been fixed in accordance with Government allotment of sugar to Bombay City. In addition a special quota to meet their Military requirements is made.

Letter No. 1487 dated 17th May 1943 from Chamber to Supply Commissioner, Bombay.

I am directed to acknowledge receipt of your letter No. 113/42/St dated 3rd May 1943 on the above subject.

My Committee are constrained to say that the explanation given by Government in regard to the action taken in reducing the sugar quota to Messrs. Parle Products Manufacturing Company is not at all satisfactory. In the first place, they would like to know the basis on which the allotment of sugar to Bombay City has been made and if there has been any recent reduction in regard to that basis. It is a matter for regret that the manufacturing activities of indigenous industries are thus handicapped or curtailed by the inadequacy of the supply of the essential materials required by them. In this particular case, the reduction is all the more regrettable because sugar required is for use in manufacturing articles of consumption, both for the civilian population and the military in the country.

My Committee would like to know the basis on which the quota is being fixed for the city, both for use in manufacturing processes and for civilian population. Incidentally, they would like also to point out that the population in the city has, in recent months, increased tremendously and would like to be re-assured whether due note of this increase has been taken by Government in determining the quota figures.

Your reply further mentions that a special quota has been granted to the firm to meet their military requirements. My Committee would like to know if this additional quantity was, from the special quota reserved for military use or from the normal quota for Bombay City for civilian consumption. They may be allowed to mention, in this connection, that under the existing arrangements, it was understood that Bombay would not be expected to provide for military requirements from her own provincial production or from the quota allotted to her by the Central Government through the Sugar Controller, such military requirements being met directly by the Central Government under a separate quota. Reports have, recently, reached

my Committee that manufacturers of sugar in the province have been asked to allot and provide certain quantities for military needs. If the reports are correct, the least that should be done in fairness to the civilian consumers is that the Provincial Government should secure a corresponding increase in their quota from central sources.

My Committee will appreciate a detailed reply from Government regarding the exact basis of the allotment of sugar to Bombay City and the distribution thereof to different types of consumers.

In the meanwhile, my Committee again request that the case of Messrs. Parle Products Mfg. Company may be further considered, so as to enable them to continue their manufacturing activities to their full capacity.

Letter No. 113|42|*St dated* 14*th June* 1943 *from Supply Commissioner to Chamber.*

Reference your letter No. 1487 dated 17th May 1943 regarding supply of sugar to Messrs. Parle Products Mfg. Co.

As regards the point of basis of sugar quota for the city referred to in para 3 of your letter I have the honour to inform you that the quota of sugar allotted to the Province by the Government of India has been distributed between Bombay City and the Districts in proportion to the estimated normal consumption of those areas. Due note of increase in population has also been taken.

2. With reference to the point of special quota granted to Messrs. Parle Products to meet their military requirements I have the honour to state that this is an extra one and is not deducted from the civilian allowance.

3. Regarding the corresponding increase in the Provincial quota for supplying sugar to meet military requirements this Province has got the increase quota of sugar for such purpose.

APPENDIX 142

Supply of Wheat Flour for Manufacture of Biscuits

Letter dated 16th June 1943 from Chamber to Supply Commissioner, Government of Bombay.

It has been brought to the notice of the Committee of this Chamber that the quota of wheat given to Messrs. Parle Products Mfg. Co. has been reduced from 800 bags per month to 400 bags. This Company is manufacturing biscuits, both for military and civil requirements, and is one of the four companies supplying the needs of the Presidency and the country for this important article of diet. It might that the quota of wheat for this company was reduced due to the apprehension that people, who would be getting wheat under their ration cards, would get additional wheat in effect if they were allowed to purchase biscuits of this biscuit manufacturing company. There might be thus a disruption of the rationing system, as so much quantity of wheat as it used by the civil population for their biscuits would be taken away from the wheat allotted to the Province. The reason, however, why Messrs. Parle Products Mfg. Co. is so very keen on getting its due quota of wheat, for civil and military purposes, is that if it is allowed only to supply the military needs at present, it may be out of the market when the war is over, owing to its having lost contact with the consuming public all these years. My Committee agree with them that that is what is going to happen, as already biscuits manufactured by factories in other provinces are being consumed here and the indigenous factories are left out. My Committee beg to suggest that, in order to avoid any difficulties with regard to rationing, a particular quantity of wheat may be fixed as forming a quota equal to a particular quantity of biscuits, as is done in the case of bread. People who want to purchase biscuits may then do so, provided they substitute biscuits for a particular quota of their wheat. If this suggestion is accepted, Government can easily make arrangements for allowing a part of the present production of Messrs. Parle Products Mfg. Co. for being released for civilian consumption, the military demand to that extent being met from supplies of biscuits imported from other provinces for civil use. Such a procedure will help the Company to retain its hold, to a certain

extent, on the civilian market and at the same time to ensure that, because of the free sale of biscuits, the basic principle underlying the rationing programme is not upset.

My Committee hope that the above suggestion of theirs will be accepted, not only in the interests of an important indigenous industry but because it will supply a much-needed article of diet to the civil population.

APPENDIX 143

Slaughter of Prime Cattle in the Country*

Letter No. 2799 dated 15th October 1943 from Chamber to Department of Education, Health and Lands, Government of India.

I am directed by the Committee of this Chamber to draw the attention of the Government of India to an extract from the speech of the Hon'ble Sir Jogendra Singh, Member for Education, Health and Lands, with regard to slaughter of cattle. While my Committee appreciate the sympathy shown by the Hon'ble Member with regard to this important problem, they should like to be enlightened with regard to certain difficulties.

In the first place, representatives of important institutions or representative individuals will have to be allowed admission to slaughter-houses, both civil and military, for the purpose of ascertaining if the Order in question is properly observed in practice. The Order states that the slaughter of working bullocks in good state of health below the age of 10 years, cows in milk and pregnant should be prohibited. My Committee will be obliged if you will kindly let them know if cows—not in milk nor pregnant at the time but below the age of 15 years will be allowed to be slaughtered, as there is no direct prohibition with regard to the same. My Committee would earnestly recommend that working bullocks in good state of health below the age of 15 years should not be slaughtered; nor should cows, though not in milk nor pregnant but below the age of 15 years, be allowed to be slaughtered. They would also suggest that the foreign army stationed in India might well bring animals

* For previous correspondence on the subject, see Report for 1942, p. 494.

from their countries for meat purposes, looking to the fact that India depends primarily upon these prime cattle and a reckless slaughter of these prime cattle would lead to the destruction of her agricultural wealth and to accentuating of her present starvation problem.

Letter No. 2807 dated 18th October 1943 from Chamber to Bombay Humanitarian League, Bombay.

The Committee of this Chamber have lately been taking considerable interest in this question. They had addressed the Government of India towards the end of last year on the subject. After that a Press Note was issued by Government prohibiting slaughter of working bullocks in good state of health below the age of 10 years, cows in milk and pregnant cows. The matter was discussed in the Central Legislature at its last Session, and the Hon'ble Sir Jogendra Singh, Member for Education, Health and Lands gave certain general assurances. I am sending to you herewith a copy of a circular letter received from the Federation of Indian Chambers of Commerce and Industry, New Delhi, in which the relevant portion of the speech of the Hon'ble Member in question is reproduced. I am also sending herewith a copy of a further communication which my Committee have recently addressed to Government, requesting that the scope of the prohibition should be enlarged. My Committee would like that Institutions like the Bombay Humanitarian League should try to keep a watch over the slaughter-houses and people connected therewith, with a view to find out if the Orders of Government as above are being properly observed. If complaints about the non-observance of the said Orders are brought to the notice of my Committee, they will be in a position to take up the matter effectively with the Government of India. I am, therefore, desired to request you, if you get any information in future against any practices in connection with slaughtering of cattle, to kindly furnish my Committee with full particulars of the same.

Letter dated 6th November 1943 from the Bombay Humanitarial League to Chamber.

With reference to the above matter, I am glad you and your Committee have been taking considerable interest in the matter of restriction of slaughter of useful cattle and have persued the correspondence with interest.

You will be pleased to know that my Committee also has been persistently trying for the restriction even on economic ground. Through Sardar Sir Datarsingh the matter was discussed in the Food Advisory Committee. It looked to be a happy thing that His Excellency the Viceroy was pleased to issue a Press Note referred to by you. But on enquiry with the Provincial Government and some of the slaughter-houses, we found that it was merely a pious declaration. We again approached the Government of India to extend it to various other animals and ask the Provincial Governments to enforce it. The Order has, of course, been modified but we are informed that its enforcement rests with the Provincial Governments. We are now enquiring and approaching them and the Municipalities for the application of the orders and hope some action will be taken by them.

With regard to the instances of the violation when the orders are not enforced in the Provinces, detection is out of question. It can be evidently seen that many of the cattle slaughtered in the slaughter-house at Bandra, are of the objectionable category and never rejected.

On special enquiries made, reports are received about other slaughter-houses specially visited by one of our workers, copy of which is appended herewith.

Mr. J. N. Manker, our Assistant Secretary himself visited the slaughter-house at Bandra on 2-11-1943 at 11.30 and inspected the cattle that were to be slaughtered for military and civil requirements. It was found that contracts to supply beef for military requirements is given for a period of three months for 8,00,000 lbs. at the rate of Rs. 85 per 100 lbs. Contractors purchase good plump cattle which are examined by Veterinary officers. The Contractor said that only good cattle of or under 10 years of age are passed. Mr. Manker also found that most of the cattle that were to be slaughtered, were definitely useful from utilitation point of view and many of them looked to be of or under 10 years of age. They may off-type or non-descript breed but that seldom reduces their utility—present and for some time to come. The buffaloes were decidedly useful dry ones capable of regeneration and giving milk.

The contractors said that there are no restrictions placed on the age limit of class but the only difficulty is to obtain good cattle and the rates have been enormously increased. Thus it is evident that (1) no action is being taken on the communique of His Excellency the Viceroy in the slaughter-houses run under Municipalities. As a matter of fact they are not qualified to do so unless the Municipal Act is suitably amended; (2) No orders are known to have been issued by the Provincial Governments as yet; (3) Contractors buy good cattle at higher rates; (4) Even in normal days useful dry buffaloes and other cattle are slaughtered without any restriction of age.

What is now essential is (1) that Provincial Governments and military authorities be moved to give the Communique in question the force of law under Defence of India Act; (2) the Government of Bombay should introduce special legislation under which Municipalities can restrict the slaughter of useful cattle both for civil and military requirements.

The question of slaughter of useful dry cattle in Bombay has also a direct bearing on City's milk supply which, as you may be aware, has now reached a critical stage. The question was discussed at a special conference held on 2-10-1943 at the Secretariat when your representative was also present. It was suggested even by cattle owners like Mr. Killedar that restriction of slaughter of useful milch cattle is essential to improve the milk supply. The League has already approached Government in this matter. If your Committee will write to the Government in the matter at this stage, it will expedite action. The League thinks it necessary to lead a deputation to His Excellency and will be obliged to know whether your Committee approves of the proposed move and will lead or join the same.

Some literature and copies of correspondence is sent herewith for your reference and information.

Telegram dated 18th November 1943 from Chamber to Department of Education, Health and Lands, Government of India.

Referring to the statement made by the Hon'ble Sir Jogendra Singh in the debate on the Resolution on slaughter of cattle on 6th August 1943, Committee Indian Merchants'

Chamber continue to receive complaints that the restrictions regarding slaughter of cattle as embodied in the Press Note dated 18th November 1942 are not being observed or enforced by slaughter-houses both civil and military. Government had laid down that working bullocks in good state of health below the age of 10 years, cows in milk and pregnant cows, should not be allowed to be slaughtered. Committee had in their letter dated 15th October last urged the necessity for enlarging the scope of the above protection with a view to prohibiting slaughter of cows capable of bearing calves also. They had also urged that the age limit of 10 years should be extended to 15 years. Further, Committee understand that recently Government of Madras have ordered that slaughter, whether for civilian consumption or for the army, of dry cattle and heifers fit for breeding and bulls fit for work should be prohibited. Having regard to the fact that the restrictions contained in the said Press Note have no force of law, Committee earnestly urge that the restrictions in question should be given legal sanction and force by making the necessary rules and regulations and any infringement thereof should be made a penal offence. Committee would further suggest that export of cattle should be completely prohibited and arrangements should also be made with the authorities of the Indian States for similar restrictions on slaughter and export of cattle in their territories. Having regard to the extreme condition of scarcity so far as the milk supply in the country is concerned and having regard to the necessity for preserving the cattle wealth of the country in the interests of agriculture Grow More Food Campaign and Public Health Committee emphasize that Government should lose no time in imposing and enforcing the above restrictions.

Letter No. 3101 *dated 25th November* 1943 *from Chamber to Revenue Department, Government of Bombay.*

My Committee had occasion recently to address Government (Department of Civil Supply) on the question of the inadequacy of the milk supply in the City. They had therein emphasized the importance of preserving the cattle wealth of the province and taking steps to ensure that facilities for the proper maintenance of cows and buffaloes within the provincial limits and near about the city should receive the necessary atten-

tion at the hands of Government. A copy of this communication is sent herewith for ready reference.

My Committee have also recently been in communication with the Government of India on the question of restrictions on the slaughter of cattle in the country. The Government of India laid down in November 1942 that working bullocks in good state of health below the age of ten years, cows in milk and pregnant cows should not be allowed to be slaughtered. I am enclosing herewith, for ready reference, a copy of the Press Note announcing the above restriction. My Committee, however, had in a further communication to the Department of Education, Health and Lands, Government of India, dated 15th October 1943 urged the necessity for enlarging the scope of the above protection with a view to prohibiting slaughter of cows capable of bearing calves also. They had also urged that the age limit of ten years should be extended to 15 years.

My Committee are, however, continuing to receive complaints that the restrictions contemplated by Government as embodied in the Press Note in question are not being observed or enforced by slaughter-houses, both civil and military, in the different parts of the country and that cows, bullocks and buffaloes are being freely slaughtered irrespective of their being in prime condition. It is a matter for no small regret that the said instructions and the assurances given by the Hon'ble Sir Jogendra Singh, Member for Education, Health and Lands, in the Council of State on 6th August 1943 are not being followed and observed both in their letter and spirit. This flagrant disregard of the orders and instructions of the Central Government is made possible because the restrictions, although in the nature of executive directions to be operative in all parts of the country where slaughter of cattle is taking place, have not been given the force of law. My Committee have, therefore, recently addressed the Central Government urging upon them the immediate necessity for giving these restrictions the force of law by enacting the necessary rules or regulations as also by making that any breach of the same would be a penal offence. I am sending to you herewith a copy of the telegram addressed by my Committee to the Central Government in this regard.

Slaughter, however, within the provincial limits of Bombay is a matter which can be tackled by the Government of Bombay. They are informed that at present there are no restrictions of a legal character which would apply either to the slaughter-houses, both civil and military, or to private slaughter in order to prevent the indiscriminate killing of prime cattle. Cattle of any age are allowed to be slaughtered because there is no age limit legally fixed in connection with the same. Only under the Municipal regulations pregnant cattle are not allowed to be sold for slaughter. In the opinion of my Committee, the time has arrived when Government should move in the matter and impose restrictions having the force of law preventing slaughter of working bullocks in good state of health below the age of 15, cows in milk, pregnant cows and particularly cows capable of bearing calves and dry cattle and heifers fit for breeding and bulls fit for work. Any breach of the above requirements should be made a penal offence. In this connection, it may be of interest to the Government of Bombay to be informed that the Government of Madras have on the recommendation of their Livestock Improvement Board decided that "the slaughter whether for civilian consumption or for the army, of dry cows and heifers fit for breeding and young bulls fit for work should also be prohibited." A copy of the communique issued by the Madras Government is also sent herewith for ready reference. The need for vigilant and energetic action is emphasized by the fact that large-scale slaughter of cattle in prime condition is being reported from the different parts of the province. Government will appreciate that it is not possible for private sources to get at reliable statistics of such slaughter. Such statistics in regard to the slaughter in the municipal slaughter-houses as are available go to strengthen the demand for immediate scrutiny into the position. The number of cattle slaughtered in the Bombay Municipal slaughter-houses during the official year 1942-43 has gone up by about 25 per cent, from 95,327 heads in 1941-42 to 1,20,139 in 1942-43. Against this the import of milch cattle into Bombay is, however, not keeping pace; it is almost stationary, viz. : 54,280 in 1940-41 as against 52,688 in 1939-40. My Committee have not yet been able to get the figures for 1942-43. But they understand that due to a variety of reasons, one of them being

transport difficulties, fresh arrivals are now less than what it used to be in the previous years. The continuance of the above state of affairs has accentuated the shortage of milk supply in Bombay and the time will not be far off when the city and the presidency will witness a substantial diminution in their cattle strength with serious consequences to the health of the people and the general economic conditions all round.

While on this subject, my Committee would like to stress upon Government the necessity for maintaining and publishing from time to time figures relating to import and slaughter of milch cattle in Bombay. This information is very essential so as to enable a check being maintained to ensure that the loss on account of slaughter and export is made good by timely fresh arrivals.

In an agricultural country like India the importance of preserving its cattle wealth cannot be over-emphasized. Against the background of the food scarcity which this province, in common with the rest of the country, is at present facing, the continued denuding of prime cattle is a matter which should cause serious concern and as such one which should be tackled by Government with all the vigour and enthusiasm. My Committee cannot help sounding a note of warning that if conditions are allowed to drift as at present, the people of the presidency will be faced with the serious problem of cattle shortage—of cows for supplying milk requirements of the population and of bullocks for work allied with agricultural and other operations—and of the concomittant repercussions on the general, social, health and economic conditions of the presidency. The gravity of the situation in regard to the supply position of milk to the city was recognized by Mr. H. F. Knight in his observations at the meeting with the Cattle Owners Association on 29th September last and he particularly referred to the high prices and the scarcity of buffaloes as one of the contributing causes. It is, therefore, urged that the Government of Bombay should lose no time in applying their mind to this problem and taking such effective steps as would prevent the slaughter of cattle on lines indicated above.

APPENDIX 144

Draft Agreement Re: United Nations Relief and Rehabilitation Administration

Telegram dated 3rd November 1943 from Chamber to Commerce Department, Government of India.

Attention, Committee Indian Merchants' Chamber drawn to draft Agreement for United Nations' Relief and Rehabilitation Administration. They understand that Government of India intend to subscribe to the same thereby committing this country to the scheme of relief underlying the agreement. Committee regret that before taking such a decision Government had not thought it fit to consult public and commercial opinion in the country as also to obtain the approval of the Central Legislature. While they appreciate the humanitarian aspect underlying the purpose of the agreement, namely, providing relief in the shape of food, clothing, shelter, etc. for people of overrun countries Committee anxious to ensure that burden consequent thereof shall not be beyond the capacity of this country to bear. Committee must emphasize that having regard to the present conditions of extreme scarcity in the matter of foodstuffs and other articles of necessity here India should not be obliged to make any contribution to relief and rehabilitation elsewhere until conditions here have demonstrably improved. It is also not clear from the agreement whether any supplies made or assistance given will be in the nature of a loan involving the stipulation of a *quid pro quo* at a later date. Presume that India would be given direct representation on the Committee of the Council for the Far East. Undertakings for safeguarding the status, rights and privileges of Indians in areas receiving relief should also be included as part of the obligations under the agreement. Assistance under the agreement should only be for the purpose of relief for alleviating immediate privations and that long-term aspects of reconstruction or rehabilitation of any country should not be within the scope. If any supplies are to be procured from this country either on behalf of India or on behalf of any of the contracting Governments for purposes of relief the same should be thoroughly national agencies and institutions like the United

Kingdom Commercial Corporation should not be allowed to come into the picture for the purpose of such work. Committee request to bear these aspects in mind and to issue a clarificatory statement explaining the scope of the agreement and commitments which India would be expected to undertake by virtue of her being a contracting party.

APPENDIX 145

Indian Delegates to U.K. and U.S.A.

Letter No. 2747 dated 11th October 1943 from Chamber to Department of External Affairs, New Delhi.

The Committee of the Indian Merchants' Chamber beg to protest against the personnel of the Deputation to be sent by the Government of India on a lecture tour to the United Kingdom and the United States of America. The Foreign Delegations to our country are representative and have responsible backing in their countries. On the other hand, the proposed Indian Deputation cannot be regarded as in any way representative. If the outside world has to be given a true picture of India's active participation in the war, the task must be entrusted to eminent statesmen and commercial and industrial leaders of India. A deputation consisting of mere official nominees can never be considered as representing the four hundred millions of Indian people. Such a deputation is not likely to create any interest in this land and would not evoke any sympathy for India in the minds of foreigners. India's cause is likely to suffer in the eyes of the world by such an official propaganda. My Committee also consider that the Government of India should pay more attention to propaganda films of our vital war efforts, our basic war industries, training of our troops, and our National institutions, as the other Allied Nations are doing.

APPENDIX 146

Women Jurors and Proposal to Extend the Privilege to Foreigners

Letter No. 2753 dated 12th October 1943 from Chamber to the Prothonotary and Senior Master, High Court, Bombay.

The Committee of this Chamber have seen the amendments and additions made in the Rules and Forms of the Bombay High Court, Original Side, 1936, admitting women with certain qualifications on juries. They deeply appreciate the laudable step taken by the High Court, whereby the elementary right of women to serve on juries has been recognized. They, however, note that the said privilege has been extended to the women subjects of the United States of America, also. They are informed that the Indians do not enjoy the privilege of serving on juries in U.S.A. The privilege which is now extended to the women subjects of U.S.A. cannot, therefore, be justified. In the opinion of my Committee this privilege should be enjoyed only by the nationals of our country. While welcoming the step taken by the High Court of removing difficulties in the way of women working as jurors, my Committee cannot approve of the American women being accorded this privilege. My Committee, therefore, hope and trust that the Honourable the Chief Justice and other Judges of the Bombay High Court will be pleased to make the necessary alteration in the Rules so as to confine the said privilege to women of our country only.

Letter No. 41 dated 14th January 1944 from Prothonotary and Senior Master, High Court of Bombay to Chamber.

With reference to your letter dated the 12th October 1943, I am directed by the Honourable the Chief Justice and Judges to state that though Americans are placed in the Jury list, they are not summoned to serve on the Jury unless a subject of the United States of America is an accused person standing his trial at the Criminal Sessions. I am to point out that Section 275 of the Criminal Procedure Code confers upon a European or American accused the right to claim to be tried by a jury consisting of a majority of Europeans or Americans. This right having been conferred by law, it is absolutely necessary that we should have Americans on the list of jurors. With regard to

the larger question whether Americans should be allowed to serve on the jury, when Indians do not enjoy a similar privilege in America, I am directed to state that this is a matter which can only be dealt with by legislative action. It is open to your Chamber to take steps to move Government for such purpose.

APPENDIX 147

Naturalization Rights for Indians in U.S.A.

Letter No. 2978 dated 10th November 1943 from Chamber to External Affairs Department, Government of India.

Reports have appeared in the Press that the Government of U.S.A. are undertaking necessary anti-exclusion legislation with a view to allow citizenship rights being conferred on Chinese nationals in U.S.A. In this connection, reports have also appeared in certain sections of the Press that the Government of India have made representations through the appropriate channels to the U.S.A. Government to include Indian nationals also within the scope of the new legislation. My Committee would like to know if the above information is correct, and would also like to be advised of any further developments in that connection.

APPENDIX 148

Indian Merchants and Re-entry into Abyssinia

Letter No. 1629 dated 31st May 1943 from Chamber to Department of Overseas, Government of India.

The Association of Indian Merchants in Abyssinia and Eritrea have placed before my Committee their correspondence with the Government of India in connection with the difficulties experienced by the Indian traders and craftsmen, who were trading and living in Abyssinia before the entry of the Italians into the country, for obtaining permits for re-entry into Abyssinia and Eritrea. My Committee feel that their case requires urgent consideration.

It may be pointed out that Indians residing in Abyssinia and Eritrea were asked to leave the country on the advice of

the British Consul there, when the Italians overran the country. It is a matter of common knowledge that these Indians were compelled, under the circumstances, to abandon all their possessions, properties and even cash and to leave the country without any means of support. It was presumed then that if favourable conditions were re-established and the Abyssinian Government were again in possession of the country, the Indian refugees would have no difficulty in re-entering their adopted country. This presumption, however, has not come true and permits to Indians to re-enter are not only not freely granted now, but much discrimination is exercised in this respect. The Association of Indan Merchants in Abyssinia and Eritrea have explained the difficulties of their members at great length in their correspondence with regard to the securing of these permits. It is observed from their correspondence that the Abyssinian Government are reluctant to allow such entry. If this is true, it is greatly regrettable that those who helped to build the economy of the country, in some measure, should now be debarred from entering the country.

My Committee, therefore, urge that Government should take up the case of these unfortunate Indians with the Government of Abyssinia and to persuade the authorities there to relax the restrictions placed on the issue of permits for Indians to re-enter Abyssinia and Eritrea freely.

Letter No. 1452-G(P)|43 dated 6th July 1943 from External Affairs Department, Government of India to Chamber.

I am directed to refer to your letter dated 4th June 1943 and to say that the Government of India regret that they see no advantage in pursuing the matter with the Ethiopian Government until such time as the shipping situation improves and permits of an expansion of trade.

Letter No. D.957E-(ii)/43-O.S. dated 13th September 1943 from Department of Indians Overseas to Chamber.

In continuation of this Department's letter No. D.957E-(ii)/43-O.S., dated the 26th June 1943, I am directed to say that at the present time, Indian traders in Ethiopia outnumber those of any other foreign nationality. The Ethiopian Government are prepared to grant entry permits to Indians who may be required to replace any Indian who is leaving that

country, but since Ethiopian trade is on a small scale owing to the shortage of shipping, and since the number of traders is adequate for such commerce as there is, the Ethiopian Government do not consider that the time is ripe to permit an increase in the number of Indian traders. The Government of India have, therefore, reached the conclusion that so long as the shipping situation shows no improvement, little purpose will be served by pressing the Ethiopian Government to revise their immigration policy.

2. I am to add that there is now no objection to *bona fide* Indian traders visiting Eritrea for genuine purpose. They may not, however, be accompanied by their wives and children.

Letter No. 2662 dated 29th September 1943 from Chamber to Department of Overseas, New Delhi.

I am directed to acknowledge the receipt of your letter No. D.957E(ii)/43-O.S., dated 13th September 1943.

The Committee of this Chamber are grievously disappointed at the reply given to their communication by the Government of India. It should not be forgotten that the Indians were residents of Ethiopia long before the war broke out and even long before Ethiopia fell in the hands of Italy. In fact, it was the Indians who helped, to a large extent, to build up the Ethiopian trade. These Indians suffered, to a very large extent, when Italy invaded and conquered Ethiopia and they had to come over back to India mainly under instructions from the British Government. They had lost all what they had gained during the course of years. Some of them ultimately got back, when Italy seemed to be settled in her newly acquired territory. The war of 1939, however, came up and there was again unrest and disturbances there, and the Indians, evidently, had to leave that country again. Not that Italy is finally defeated and the Emperor of Ethiopia himself is reinstated with the help of the British Government, it stands to reason that Indians, who were for so long a time citizens of that country and who had helped Ethiopia in building up her trade and whose troops had helped the British Government in defeating Italy and recapturing Ethiopia for the Ethiopian Emperor should be allowed to go back to that country and resume their trading activities. It is but due to these Indians that the Ethiopian Government should

give them permission to go back and re-settle in that country. The shipping situation has been improving to some extent recently. It must be remembered, however, that the question of allowing or disallowing shipments of commodities and of allowing or disallowing human cargo like the Indians should be deemed entirely different. Both the Ethiopian Government and the British Government should try their best to see that Indian traders and businessmen should be afforded all facilities for going to Ethiopia and Eritrea and settling there.

APPENDIX 149

Shortage of Building Accommodation in Bombay

Letter No. 3285 dated 22nd December 1943 from Chamber to Finance Department (Supply), Government of Bombay.

I am directed by my Committee to draw the attention of Government to the difficulties and hardships experienced by the public of Bombay as a result of total restriction placed on the building activity in the city. The Committee would, therefore, request Government to relax these rules in the first instance for a few buildings, which can be occupied by middle class people. In this relaxation the percentage of building material, which would be diverted from military use will be negligible. Besides, the Committee are given to understand that round steel bars, which are used for building purposes, are not used by the military, who are putting temporary structures, and of these there is a very large amount frozen in the hands of merchants, who are waiting for people with licence to come and buy them. The Committee are also given to understand that the cement situation is very much easier.

Government could not be unaware that the housing difficulty in Bombay is considerable. Recently the Municipal Corporation went into the question and the Municipal Commissioner made a suggestion that the refugees who had not actual business or occupation in Bombay, could be removed farther away. Apart from this measure, which the Committee will support, the Committee would urge that a certain amount of building work may now be permitted.

Originally, the restrictions were put by the Civil Government at the instance of the military authorities with the object of all building materials being made available for war purposes. The wholesale action taken by the Civil Government then might have been necessary, but its continuance now creates a hardship.

For military purposes many buildings have been evacuated, throwing out into the streets *bona fide* residents employed in Bombay. Requisitioning is now extended not to buildings only, but to flats. We have heard many complaints of serious inconvenience and loss. The Central and Provincial Governments are increasing the number of Departments, and the number of officers engaged in these Departments are adding to a demand already acute on account of the influx of large population to Bombay.

In view of the above, the Committee would urge Government to consider the question of relaxing building restrictions in consultation with the Municipal Commissioner for centrally located places where buildings for middle class could be put up by private individuals. The Committee consider this a most urgent public need, which will also psychologically ease the bitterness of those who have suffered on account of house shortage. There are many aspects of this question, which could be stated, but, thinking that Government are fully alive to some of them, the Committee do not desire this representation to be long. But if Government have still any hesitation or doubt on the subject, the Committee would request that a Conference of the Municipal Commissioner and the City Engineer, the Brick Controller, the local steel interests and cement interests, and representatives of Chambers of Commerce may be called to discuss this question in greater detail.

Letter No. 388-C dated 25th January 1944 from Home Department, Government of Bombay to Chamber.

In continuation of my letter No. 388-C dated the 31st December 1943 on the above subject, I am directed to state that the entire position regarding the present restrictions on new building construction in Bombay as explained in your above letter has been very carefully considered by the Govern-

ment. It is, however, regretted that it is not possible to relax these restrictions as urged by your Committee.

The supplies of building materials, viz. bricks, sand, etc. have diminished due to several reasons chief of which are lack of adequate transport and difficulties regarding labour. The supplies, that are now available, are barely sufficient to meet the requirements of military and other essential civil works. In the circumstances, it is not possible to divert any materials, from military and other essential civil works, to construction of private buildings, for housing the middle classes. It may be added that Government have already permitted erections of petty additions and extensions to existing buildings, required for *bona fide* personal use of their owners provided these are carried out with old materials or materials not under control.

As regards convening a conference of various parties interested in this question, this does not appear necessary in view of what has been stated above.

APPENDIX 150

Bevin Training Scheme

Letter No. 221 dated 21st January 1943 from Chamber to Department of Supply and Labour.

I am desired by my Committee to request Government to be good enough to furnish them with full information regarding the progress of the scheme for training Indian technicians in factories in U. K. under what has come to be known as the Bevin Training Scheme. They would particularly desire to have the following information:

(1) The total number of boys so far sent;

(2) The number of boys who have returned after completing their training;

(3) The number, if any, who discontinued in the middle;

(4) The number now under training;

(5) Particulars regarding the absorption of trained boys in civil and other industries; and

(6) The number yet remaining to be absorbed.

My Committee would further like to know whether it is the practice of Government to enquire of industrialists in the different parts of the country if they wished any employee to be trained for any particular line of work. The war, as Government will appreciate, is opening out opportunities for the development of new industries here. One of the difficulties experienced in regard to such extension is that we have not a sufficient number of trained and skilled personnel. If, therefore, enquiries are made of industrialists of their requirements and if arrangements are made to train their nominees in specified technical operations, the training scheme will prove to be of lasting good to the country. It is, therefore, requested that Government will be pleased to let my Committee know if the above procedure has been considered and adopted by Government and if so, with what result.

Letter No. TRC 1124 dated 24th February 1943 from Labour Department, Government of India to Chamber.

With reference to your letter No. 221 dated 21-1-43, I am directed to say that during the two years that the Bevin Training Scheme has been in operation 304 trainees have been sent out to the U. K. of whom 204 have returned to India, all except one, after having satisfactorily completed their training. The single exception was of a trainee who had to be sent back for serious misconduct. Out of the 203 returned trainees, 192 have been posted as follows :—

(*a*) In Supervisory posts in war factories	...	158
(*b*) As instructors at Technical Training centres		13
(*c*) In good posts in the Army	...	12
(*d*) In other posts	...	9

The Government of India hope to be able to place the remaining 11 trainees in suitable employment shortly. On an average, the emoluments which the trainees are getting in the posts to which they have been appointed after their return from the U. K. are 198 per cent higher than their previous wages.

The selection of candidates for training under the Bevin Training Scheme is made by the National Service Labour Tribunals. As a result of requests made by certain firms, the Government of India have now decided that upto a maximum

of 25 per cent of the numbers in future batches of Bevin trainees should be reserved for men whom private firms engaged on war work may wish to nominate for undergoing training under the scheme. The nominating firms will have to undertake to give such trainees on their return after training a wage increase of not less than 125 per cent over their previous wages and to accept the recommendations of the local Tribunal for such increments as the progress shown by the trainee may justify, at a later date.

The Government of India trust the above contains the information which the Indian Merchants' Chamber desired to have. A prospectus of the Bevin Training Scheme is enclosed for the further information* of the Chamber.

Letter No. 898 *dated* 17*th March* 1943 *from Chamber to Labour Department, Government of Bombay.*

I am directed to acknowledge receipt of your letter No. TRC 1124 dated the 24th February 1943 on the above subject, and to thank you for the information given therein.

In this connection, my Committee note that Government have now decided that the future batches of trainees, upto a maximum of 25 per cent, will include men from private firms engaged in war work for undergoing necessary training. From the list given in the letter of the distribution of returned trainees, it also appears that all of them are now more or less exclusively confined to work in war factories. In their letter of the 21st January, my Committee had enquired if it was the practice of Government to ascertain from industrialists in the different parts of the country if they wished any of their employees to be trained for any particular line of work. They had suggested, in order that the scheme may be of lasting good to the country, a system of training nominees of industrial establishments, irrespective of whether such establishments were, for the time being, engaged fully or partly in war work. Government will appreciate that even after the war, the question of industrial expansion will loom large before the country and, if the present opportunity is utilized fully for securing the necessary technical training for different industries, the skilled personnel that would be made available to the country thereby will, to a great extent,

* Not printed.

assist in such permanent good efforts. Government have, in this connection appointed post-war Reconstruction Committees and the question of industrialization will be one of the important aspects which will engage their attention. Government are also now thinking of constituting a Reconstruction Fund to assist the post-war industrialization. The work of the Reconstruction Committee will be very much facilitated if the present opportunity is utilized for securing technical training for industrial employees in selected industries. It may be further pointed out that such a procedure is in keeping with the obligation, under the Stores Purchase policy, on suppliers of machinery and materials to give opportunities for technical and scientific training to nationals of the country.

It is requested that Government will be pleased to consider this aspect of the matter and bring about an arrangement whereunder, industrial employers are encouraged to send out, under the scheme, men for undergoing specialized training in the different technical sides of the industries concerned.

Letter No. TRC 1124 *dated 3rd April* 1943 *from Labour Department to Chamber.*

I am directed to refer to your letter No. 898, dated the 17th March 1943, and to request you to be good enough to furnish a more precise indication of the types of training which your Chamber would like to see introduced as part of the Bevin Training Scheme. You will doubtless appreciate the fact that all industrial undertakings in the United Kingdom are now given over entirely to war production of one kind or another and that it will not be feasible to ask the Ministry of Labour at this stage to undertake the training of men in work which is not essential to the war.

APPENDIX 151

Shortage of Small Coins

Letter No. 2352 *dated 28th August* 1943 *from Chamber to B.B. & C.I. Railway and G.I.P. Railway, Bombay.*

The attention of my Committee has been drawn to the discussion at a meeting of the Advisory Committee of your Railway on the question of the practice adopted by the station

staff in rounding off third class fares to the nearest half-anna. It was explained on behalf of the administration that the step was necessitated by the scarcity for small coins and that the Reserve Bank authorities themselves had suggested such a procedure as one of the steps for meeting the difficulty. Since then, my Committee understand that the position in regard to supply of small coins has considerably improved. As a matter of fact, in reply to a communication which the Passenger & Traffic Relief Association, Bombay, had addressed to the Reserve Bank, they were informed that " small coin requirements of the Railways were being met in full by our offices." The reply also added that the Bank would be prepared to consider the question of increasing supplies, if they were furnished with precise information as to the areas in regard to which complaints of shortage had been received.

In view of the above assurance contained in the Reserve Bank's reply that they were in a position to meet the requirements of the Railways in full, my Committee suggest that the justification for rounding off fares to the nearest half-anna does not continue and, therefore, instructions may be issued to the station staff to recover only the actual fares in force. Arrangements should, at the same time, be made for a sufficient supply of small coins to the station staff, with a view to this being done without any practical difficulty.

It is hoped that you will be pleased to consider the matter and pass the necessary orders at an early date.

Letter No. T. 398|38-43 dated 27th September 1943 from B. B. & C. I. Railway to Chamber.

As a result of the suggestion made by the Reserve Bank, which aimed at the elimination of quarters-of-an-anna from fares, the fares on our Bombay Local Suburban Section were rounded off to the next higher half-anna from 1-12-42. No other changes in fares were made.

The Reserve Bank of India, Bombay, was addressed by my Chief Traffic Manager on the 30th August 1943 inquiring whether their suggestion that the Railway charges should be rounded off to half-anna still held good and also whether the quarter-anna is now being freely minted and whether there is a scarcity of this particular coin. In reply, the Chief Account-

ant of the Reserve Bank, per his letter No. 3140/13A/43 dated 11-9-43, states as follows :—

> " We have to advise that, though the coinage of single pice has been increased, the output of this denomination is not sufficient to meet the abnormal demands. The Mints are doing their utmost to augment supplies of small coin, especially the higher denominations but the shortage continues to be acute on account of large scale hoarding. We, therefore, consider that railway charges should continue, for the present, to be rounded off to the nearest half-anna until such time as the public stop hoarding and normal conditions return. You may advise the Passengers and Traffic Relief Association, Bombay, accordingly."

In the circumstances, the present practice of rounding off fares to the next higher half-anna must continue.

APPENDIX 152

Services of the Officers of the Government of India in Foreign Countries

Letter No. 3322 dated 23rd December 1943 from Chamber to Finance Department, New Delhi.

The attention of the Committee of the Chamber has been drawn to the fact that certain officers of the Government of India have been several times posted in neighbouring countries in one capacity or the other. It was found after the last war that such officers were appointed to responsible and high posts in the neighbouring countries. They must have been paid salaries by those Governments; but the question arises about their pension, provident fund, etc. After their services are dispensed with by those neighbouring Governments, they must either be returning again to this country or resigning from their services on a pension. My Committee, therefore, will be obliged if you will kindly enlighten them on the following points :—

1. Whether the services of any of the officers of the Government of India have been at present lent to any of the neighbouring countries; if so, to which countries;
2. Whether Government of India are responsible for their

pensions, provident funds, etc., accrued to them during the period of their absence in neighbouring countries; and

3. Whether the neighbouring countries so benefited by the services of such officers of the Government of India would pay for their pensions, etc., during the period of their service there.

Letter No F.1(2)-R.I|44 dated 24th January 1944 from Finance Department, Government of India to Chamber.

With reference to your letter No. 3291, dated the 23rd December 1943, I am directed to say that the Government of India regret that it is not possible to supply the Chamber with a list of officers at present lent on foreign service terms to countries outside India without consulting all the Departments of the Government of India. Each case of such transfer is considered on its merits, but generally Government servants are transferred to foreign service on terms which include *inter alia* the following items :—

1. Contributions towards leave, passage and pension are paid by the foreign employer or the Government servant himself at the rates laid down in the orders of the Governor-General-in-Council under Fundamental Rule 114 read with Appendix 11-A of the Posts and Telegraphs Compilation of the Fundamental and Supplementary Rules, Volume II, or under special arrangements, of Fundamental Rules 115-117. Similarly contributions towards a Contributory Provident Fund, if the Government servant is a subscriber to such a Fund, will be payable by the foreign employer or the Government servant himself.
2. Travelling allowance and joining time pay is paid under the Government of India Fundamental and Supplementary Rules by the foreign employer in respect of the outward and return journeys.
3. If an injury is sustained or death occurs during foreign service the foreign employer is held responsible for the payment of any allowance or pension that may be

admissible to the Government servant under the Central Civil Services (War Injuries Pension) Rules, 1942.

In this connection I am also to invite your attention to the Rules and Orders contained in Appendix 11 to the Posts and Telegraphs Compilation of the Fundamental and Supplementary Rules, Volume II.

APPENDIX 153

Exclusion of Company Law from the Curriculum of the Second LL.B. Examination

Letter No. 2417 dated 2nd September 1943 from Chamber to Registrar, University of Bombay.

My Committee are given to understand that the Board of Studies in Law have recommended to the Academic Council of the University of Bombay that the subject of Company Law be omitted from the curriculum of the Second LL.B. Examinations. It is stated that complaints regarding the Second LL.B. course being very heavy were received by the University authorities and in order to give some relief to Law students, the suggestion regarding deletion of the question paper relating to Company Law from the Examination has been placed before the Academic Council. In this connection, my Committee beg to point out that the knowledge of Company Law is not only necessary to Law students aspiring for a business career, but it is also very useful from the point of view of the business community. Healthy development of Commerce and Industry requires that only suitably qualified persons should be placed in charge of the management. It will be realized that the responsibility of an organized business is very arduous and such responsibility can be satisfactorily fulfilled only if those in charge of business are equipped with the detailed knowledge of the working of Companies and firms.

My Committee would like to draw your attention to the fact that business houses have now realized the importance of engaging persons with legal qualifications and have started the practice of appointing Law graduates as their Secretaries or legal assistants. If the subject of Company Law is altogether omitted from the curriculum, the Law graduates will be deprived

of knowledge of company working which has been recognized to be so useful at the present time.

My Committee are, therefore, entirely opposed to the above suggestion which, if adopted, will greatly hinder the efficient and satisfactory management of business, and request the University authorities not to accept the same in the interest of Commerce and Industry.

Letter No. 29803 dated 20th December 1943 from Registrar, University of Bombay to Chamber.

Adverting to your letter No. 2417 dated the 2nd September, 1943, I am to inform you that at the last meeting of the Academic Council it was resolved not to accept the suggestion that the paper on Company Law and Insolvency be dropped from the Second LL.B. course.

APPENDIX 154

Draft Resolutions for the 16th Annual Session of the Federation of Indian Chambers of Commerce and Industry

Letter No. 125 dated 13th January 1943 from Chamber to Federation of Indian Chambers of Commerce and Industry.

With reference to your circular No. 2787/3, dated 24th November, 1942, I am directed to send to you the following resolutions (texts enclosed) for being placed before the next Annual Meeting of the Federation :

(1) Food Supplies,

(2) Registration of Trade Marks,

(3) Allocation of War Expenditure,

(4) India and agreements relating to post-war policy,

(5) Financial position,

(6) Political situation,

(7) New Standard Time, and

(8) Income-tax on Life Insurance Business.

Resolutions for the Annual General Meeting of the Federation of Indian Chambers of Commerce & Industry, New Delhi

1. *Food Supplies*:

The Federation has viewed with concern the developments in the country in the recent months in the matter of the supply of essential requirements of articles of food and other necessities of life to the civil population. The Federation urges immediate action with a view to the satisfactory solution of the food supply problem and wishes in particular to suggest that Government should—

(*a*) make arrangements to import into the country additional supplies of foodgrains;

(*b*) arrange for the equitable distribution of the available supplies as between the different provinces;

(*c*) undertake a review of the working of the existing control in regard to the movement and prices of such articles;

(*d*) bring about a greater and more direct association of non-official elements in the administrative machinery at the different centres set up to tackle matters connected with the food supply problem; and

(*e*) arrange for enlisting the services of the existing trade channels so as to ensure a free flow of the supplies to the consumer.

2. *Registration of Trade Marks*:

The Federation recommends that having regard to the practical inconveniences experienced under the existing arrangement of concentrating all the work and formalities connected with the registration of non-textile marks at Calcutta, immediate steps be taken to increase the scope and jurisdiction of the Bombay Registrar and the Register under his charge with a view to non-textile marks being made registerable there also.

3. *Allocation of War Expenditure*:

The Federation is of opinion that the existing arrangements regarding the allocation of war expenditure incurred in

India as between His Majesty's Government and the Government of India are placing on this country a terribly heavy financial burden which it cannot bear looking to its poverty and the present economic circumstances. It urges that the maximum burden India should be called upon to bear should be the amount on military expenditure fixed last year (1940-41), viz. Rs. 73.61 crores.

4. *India and Agreements relating to Post-war Policy* :

The Federation is strongly of opinion that no agreement should be entered into on behalf of India committing the country to any particular line of post-war policy. Such Agreements should be left over for decision by the future Government of the country under a Ministry responsible to the people. In the economic sphere India should have, in the post-war period, full freedom to shape her economic policy in her own interests.

5. *Financial Position* :

The Federation notes with grave concern the developments in the monetary and financial sphere since the commencement of the war as evidenced by the huge expansion in the volume of currency, large accumulation of sterling balances, the steep rise in the prices of goods and services and the sharp increase in the public expenditure. The Federation feels that the situation calls for an immediate scrutiny into the whole problem and to that end suggests the immediate appointment of a consultative Committee composed of non-official representatives drawn from Indian commercial, financial and banking circles to advise Government in regard to the best method of handling the financial situation and with particular reference to :

(*a*) matters connected with the expansion of currency;

(*b*) re-adjustments necessary in regard to the provisions in the Reserve Bank of India Act governing the backing necessary for the note issue;

(*c*) the accumulation of sterling credits of India in England;

(*d*) steps necessary to check inflation;

(*e*) regulation of public and governmental expenditure;

(*f*) ways and means of harnessing into remunerative channels the large amounts of idle money in the country.

6. *Political Situation* :

The Federation looks with grave concern at the deterioration in the political situation as evidenced, by Government persisting in a policy of repression and the continued incarceration of the leaders of the people and, by the accentuation in the feelings of unrest, discontent and bitterness in the country.

The Federation deplores that, particularly at a critical juncture like the present when there are unmistakable indications of the possibility of enemy action against the internal security of the country, things should be allowed to drift and continue in a state of stalemate, thereby militating against sustained and popular efforts for harnessing the national energy for the preservation of the morale of the civil population, for allaying panic and for organizing the manning on a nation-wide basis the problems connected with the defence of the country.

The Federation urges that His Majesty's Government should end the deadlock by an immediate declaration recognizing without any qualification the right of India to complete self-determination under a constitution of her own making and, in the meanwhile, release unconditionally all the leaders and political prisoners and resume negotiations for the formation of a provisional national Government responsible to the people.

7. *New Standard Time* :

The Federation draws the attention of the Government of India to the serious inconvenience experienced by the commercial and industrial community and the general public by the introduction of the new standard time by advancing the clocks by one hour. The working hours under the new arrangement have upset the daily routine, the dietary habits, and the social life of the community in general, leading consequently to deterioration in the normal standards of work and efficiency. In short, this new time has instead of increasing the quantum of work reduced it and thus handicapped war efforts. The Federation urges a re-examination of the position with a view to reversion to the old basis.

8. *Income-tax on Life Insurance Business* :

Resolved that the Life Assurance Companies, in view of the nature of their business be exempted from the surcharges

on Income-tax, which have been (imposed) levied after the War; and that an income-tax maximum be fixed for them regardless of the increases in the income-tax scale.

APPENDIX 155

Census of Evacuees from Burma

Letter No. 2780 dated 14th October 1943 from Chamber to Overseas Department, Government of India.

The attention of my Committee has been drawn by the Burma Indian Association of Surat to the position of certain classes of evacuees from Burma in connection with the proposed census of the evacuees. It is stated in a communique of Government that for the purposes of the census only those persons will be considered as evacuees who entered India after December 8, 1941. My Committee beg to request that the Government of India should sympathetically consider the cases of certain classes of persons who left Burma earlier, but could not return there due to the war situation. They are :—

(1) Persons having interests in Burma and who left Burma in about March 1941, in accordance with the advice of the Government of Burma;

(2) Persons having interests in Burma and who came to India temporarily on business or for medical reasons but could not return to Burma; and

(3) Persons possessing immigration passports from the Government of Burma but who failed to return to Burma.

The number of the evacuees of the above classes is likely to be a very large one, and my Committee consider that their interests should be safeguarded. They, therefore, request that the Government of India will be pleased to issue a communique regarding the abovementioned categories.

Letter No. D29|43E.C. dated 23rd October 1943 from Overseas Department to Chamber.

With reference to your letter No. 2780, dated the 14th October 1943, relating to the census of Asiatic British evacuees,

I am directed to enclose a copy of a Press Note issued on the 21st October 1943.

PRESS NOTE

Census of Asiatic British Evacuees

In response to representations made by evacuee associations and Chambers of Commerce the Government of India have decided to enlarge the definition of 'evacuee' for the purpose of the evacuee census to be held shortly so as to include persons who arrived from territories to the east of India within three months before the 8th of December 1941. It should be pointed out, however, that while it is obligatory under the Defence of India Rule 24A for those persons who entered India since 8th December 1941, to get themselves enumerated under the Asiatic British Evacuees (Census) Order, the Rule does not apply to persons who arrived before that date. Such persons will therefore be enumerated only on a voluntary basis.

Indians Overseas Department,
New Delhi, October 21, 1943.

APPENDIX 156

Admission in the Sydenham College of Commerce of Economics

Letter No. 1981 *dated* 16*th July* 1943 *from Chamber to Education Department, Government of Bombay.*

My Committee had occasion last year to address Government on the question of facilities for increased admissions in the Sydenham College of Commerce & Economics. They were then, particularly, referring to the position of students who had once failed at the Inter-Commerce examinations and who had been refused admission for continuing their studies. Government in their reply No. S.49(2) 4523-E, dated 23rd July, observed that so far as the year was concerned, the students who had failed and who sought admission had been accommodated and added that if in future, it was found that there

were a larger number of students who would like to join the College, the question of making necessary additional provision for their tution would be considered.

I am desired, by my Committee, to address Government once again in the matter and to point out that the time has now arrived, when the facilities available for Commerce courses in the College should be increased, so as to allow, on a permanent basis, a larger number of admissions year after year. In the case of the Sydenham College of Commerce, my Committee are given to understand that the accommodation available is just enough for 150 students in the Junior B.Com. class, whereas the number seeking admission this year to that class was over 220. It will be appreciated that students who had studied for two years in the college and had been permitted to keep terms for the B.Com. should not be left in the unfortunate position subsequently of having to shift for themselves elsewhere because of lack of accommodation. The number of students passing the Matriculation examination is year after year increasing. There has recently been a marked preference for commercial and technical courses, a development which the Educational Authorities themselves should welcome and encourage. Moreover, the population in the City is also increasing owing to the influx of people from other areas, with the result that there are a larger number of students desiring facilities for higher commercial education. Having regard to all these factors, it is very essential that the Government of Bombay should seriously tackle the problem by increasing the facilities available at the Sydenham College, so as to enable a larger number of students being admitted year after year on a permanent basis.

In the case of scientific or medical or other technical courses, additional facilities, naturally, involve a larger capital outlay in providing the necessary laboratory, clinical or other scientific equipment and accessories. In the case of commercial education, however, there is no need for capital expenditure on such account. If the accommodation available in the present premises is not sufficient for expansion, it should be possible to make such temporary alterations in the structure, as would permit the setting up of additional classes. If necessary, until

such time the new building for the College, which perhaps has already been sanctioned, is ready, temporary arrangements for accommodation may well be made. Question of space in any case should not stand in the way of the admission of a larger number of students in the College.

In this connection, my Committee would like to make one other suggestion regarding admissions. In order that the facilities for commercial education received at the College may be made full use of by students who pass out of the Institution, it is necessary that they should also go in for a commercial career subsequently. It sometimes happens that even after taking out Commerce Degree, the candidates concerned take up different kinds of jobs in which their commercial training is of no particular advantage to them. To obviate such chances, it is very necessary that a larger number of admissions should be reserved for students coming from business families or whose parents are actively engaged in trade, commerce or industry. It will be appreciated that such students, when they go out of the College, will have special facilities for a business career, thereby deriving full scope for utilizing the knowledge and training they receive in the College. While my Committee do not suggest any definite rule in this regard, the College authorities should be desired to observe such a procedure as a sort of a convention and give preference to a certain number of students having direct connection with business and commercial houses every year.

It is hoped that the Government of Bombay will be pleased to give this matter their early and sympathetic consideration.

Letter No. S.49(2)|4295-E dated 6th September 1943 from Education Department, Government of Bombay, to Chamber.

With reference to your letter No. 1981, dated 16th July 1943, I am directed to say that the maximum possible number of students have been admitted this year to the Sydenham College, viz. 290 in the First Year Class and 170 in the Junior B.Com. class. It is not possible to make during the war any temporary structural alterations with a view to increase the accommodation for classes. As regards your suggestion that applicants having business connections should be given pre-

ference, the Principals have always taken this consideration into account, consistently with the intellectual calibre of the applicants, in making admissions.

APPENDIX 157

Speeches of the President and Vice-President of the Chamber, delivered at the Quarterly General Meeting of the Chamber.

Speech of Seth Haridas Madhavdas, President, Indian Merchants' Chamber, at the First Quarterly General Meeting of the Chamber, on Friday, 30th April 1943.

GENTLEMEN,

You have got with you the Report of the work done by the Committee during the First Quarter of this year. I should like to express my views on some of the questions dealt with by the Committee.

POLITICAL SITUATION

Soon after our Annual General Meeting an event happened which shook India considerably. Ever since the arrest of Mahatma Gandhi and other political leaders, the Government of India and the Secretary of State for India had been traducing the Congress leaders and making allegations that it was they who were responsible for the sabotage committed in several parts of the country. These leaders were behind the prison bars and no contact whatsoever was allowed between them and the outside world; not only that, but for some days in the beginning, the leaders including Mahatma Gandhi were not allowed even the ordinary newspapers to read. The sabotage incidents happened after the leaders were put behind the prison bars. Mahatma Gandhi wrote a letter condemning acts of violence to His Excellency the Viceroy in September 1942 to which no reference was made in time either here or in the House of Commons. Because of all these Government allegations with regard to the responsibility of the Congress for deeds of violence, Mahatma Gandhi was evidently carrying on correspondence with His Excellency the Viceroy and ultimately he announced the very serious and grave decision of going on a capacity fast for 21 days. He is an idol of millions of his countrymen and it was but natural that the decision should

have spread a cloud of gloom and depression all over the country. There were hundreds of thousands of letters and telegrams addressed to H. E. the Viceroy from the remotest corners of the country, even from people who had otherwise no sympathy with the policy and programme of the Congress appealing to him to release Gandhiji. It was a matter of the deepest concern to us, as to the rest of our countrymen, that despite the nation-wide appeal His Excellency the Viceroy refused to set at liberty Mahatma Gandhi. As so many people in responsible position have pointed out it was a God-given opportunity for Government to end the deadlock and to open negotiations with Mahatma Gandhi and the Congress. Unfortunately, it was not done and with an obduracy and obstinacy, the like of which has been rarely witnessed before, a definite NO was given by the Viceroy to all these appeals. The Mahatma had thrown out a challenge in his letters either to prosecute the leaders in a Court of Law or to allow them an opportunity to come out of the prison bars and to scrutinize the charges levelled against them. Your Committee had condemned in no uncertain terms all the sabotage incidents and it was because of their strong opposition to any form of sabotage that they wanted that Mahatma Gandhi, who is the apostle of non-violence, should be given complete freedom of action to prove the falsity of the allegations made against him and his fellow-leaders. Efforts were being made even before his fast to establish contact with Gandhiji to bring about unity between the two major communities in India, the Hindus and the Muslims. But even such requests were turned down very curtly and unceremoniously. On the one hand, the Secretary of State was repeating every time his slogan of Hindus and Muslims first settling their own differences, on the other, Government carefully turned down any proposal which was calculated to enable negotiations which would bring these two major communities together. The same story was repeated with regard to Mahatma Gandhi's fast. He and the Congress leaders were branded as rebels, not on proofs collected by any judicial tribunal, but on flimsy and unsifted evidence collected by the Executive themselves and this was held forth as a justification for refusing leave to any political leaders, howsoever high, to meet Gandhiji and other Congress leaders. Government continued thus to follow a short-sighted and unstatesmanlike policy and prevented India from contributing her full strength to the war effort. It is said that this war is being fought for the cause of democracy and freedom. The events in India for the last eight months show full well what is the conception of democracy and freedom held by the powers that be.

Efforts were renewed by Sjt. Rajagopalachari and others through the Leaders' Conference after the fast to arrange for a

deputation to see Mahatmaji so that a way might be found out of the deadlock. Even this request was refused and the deadlock has now been made more severe than what it was before. I should like to express here, however, my feelings that we all thank Providence that it safely delivered Mahatmaji out of the severe ordeal he had placed upon himself and that his precious life is saved to his countrymen.

Ever since this war started hopes have been raised and dashed to the ground regarding the intervention of U. S. A. for getting the Indian tangle solved. I have not much hope that America or any other country will help us to get our demands *vis-a-vis* the British Government satisfied. The responsibility is ours and we shall have to work it up. Mr. Sumner Welles recently stated that the people of India had been most solemnly assured that as soon as necessities of war permitted they would be given the opportunity to choose freely the form of Government they desired. Unfortunately, this so-called assurance, though it may satisfy Mr. Sumner Welles, will not satisfy the Indians specially when they see the policy followed by Government since the last eight months. Mr. Sumner Welles proceeds to observe that "to make active intervention in the Indian situation a test of liberalism as some have done presupposes the definition of liberalism which I must confess is beyond my comprehension." Such an intervention we want to make a test of liberalism for that will show whether the professions of the United Nations for fighting the war in the interests of democracy and freedom are real. Unfortunately, some of the so-called Indian representatives who are deputed to U.S.A. one after another on propaganda missions are saying things quite reverse to what their countrymen have been urging. Thus Sir Ramaswami Mudaliar, it appears, told the Americans in the Pacific Relations Conference and elsewhere that American intervention in India would do more harm than good. He has got a facile optimism and replied to the American critics that his knowledge of the British people, especially of the ideals they have so brilliantly shown during the war, had given him complete faith, that a happy solution of the present difficulties between India and Britain would be found and the constitutional future of India lay with her younger generation. So far as one can see from the trend of the Government policy in this country, they are not particularly enamoured of any set of politicians, either old or young, either Hindu or Muslim. Who, according to Sir Ramaswami Mudaliar, are the leaders of the younger generation, whom he evidently wants to support and follow? Is it Jawaharlal Nehru, whom Government have securely placed behind the prison bars? I earnestly trust and hope that the efforts to establish contacts with Gandhiji and other Congress leaders and to bring about unity between the two major com-

munities of this country with a view to secure freedom for the land will be continued and will not be abandoned in despair and despondency.

How very difficult it is for any representatives of foreign nations, however sympathetic they may be, to apprise themselves correctly of the Indian situation, and to make a genuine attempt to find out the real soul of the country, can be illustrated by the utterances recently made by no less a person than Madam Chiang Kai-Shek. She and her illustrious husband are interested in the freedom and independence of this country and are friends of some of our political leaders; and yet she has said that Mahatma Gandhi was somewhat clouded in his thinking and had not world vision, because he was overcome by the restricted obsession for India's freedom regardless of world conditions. If I may be allowed to say so, many of us in this country consider that if any one among the heads of,—I will not say United Nations Governments but United Nations people,—has got clear thinking, it is Mahatma Gandhi. As to his placing the freedom of India above international problems, which Governments of the United Nations have placed international peace and solidarity above the national freedom and independence of their own countries? International peace and solidarity is a thing to be sought after and pursued with relentless patience. It was not, however, India's fault that bigger nations sought their own individual gains through the League of Nations,—that one supreme experiment made to secure international peace,—and threw overboard the cause of international peace. With regard to India, the position is very simple. It is preposterous to ask us to think in terms of international freedom till we ourselves are not free. Any talk of internationalism will come and can come only after India is free and independent. So far as I can see, that particular characteristic of China, which has gained her the admiration of the world is her deepest desire for national freedom. What is considered, however, good for other countries is not considered good for India, at least as long as she is in her present position.

Views of Foreign Businessmen

Speeches of some British businessmen both in this country and in England seem to indicate that their outlook on India's pressing probems has not undergone much change for the better even after three or four years of war. Some time back references were made at this place to speeches of Lord Catto and Lord Craigmyle asking for that very discrimination in favour of British commercial interests which Sir Stafford Cripps had placed in the forefront of his programme as a thing which should go as

out of date under the present circumstances. The retiring President of the Bombay Chamber of Commerce, Mr. J. M. B. Gibbons, in his recent speech at the Annual General Meeting of the Chamber, showed his complacency with regard to another feature. He considers that trade everywhere is prospering, prices for produce of all kinds are high and manufacturers are making large profits, and on the basis of all these hypothetical statements he comes to the conclusion that India is getting prosperous. He says that "this internal prosperity finds its counterpart in the financial situation of the country as a whole and India from being a debtor is well on the way to becoming a creditor country." There is a good deal of fallacy in arguing that India is highly prosperous at present because the prices are high and because certain sections of the trade and industries are making good profits. It is true that some sections of trade and industries are getting high profits, but practically 80 per cent go to paying the heavy bill of taxation and there is very little surplus left to percolate to the masses. The agriculturists have not been able to get advantage of the high prices; on the contrary, they have to suffer because they have to pay high prices for their necessities of life. Certain foodgrains may be selling high, but the advantage so far as I can see has not gone to the agriculturists. On the contrary, through a policy of controls and restrictions, any advantage which might have otherwise accrued to the agriculturists, is denied to them. Some of the articles used by agriculturists such as iron and timber and specially cloth, have gone up tremendously in price. Whatever prosperity there may be apparently among a few favoured classes is also, I am afraid, of a temporary character. A country can be said to be really prosperous only when the masses are living in comfort. The innate poverty of the country has not disappeared and this poverty and attendant misery are still there and anyone who studies the Indian situation with a sympathetic eye will not deem that India is at present rolling in prosperity. Mr. Gibbons proceeds further and says that the prosperity is due to the "fraction of India's defence expenditure" being borne by herself and that a very great measure of this prosperity and of these profits is "in effect a free gift to India from the people of Britain and America." This is a highly controversial statement and I am surprised that it is coming from the head of a leading Chamber of Commerce. India has to bear a tremendous military expenditure at present as is seen from the budget figures recently given by the Hon'ble the Finance Member. If Great Britain and U.S.A. pay anything towards the cost of defence here, our contention is that in view of the fact that India is occupying a very important strategic position in the theatre of the war and the British and American Governments have to use India as a jumping ground for carry-

ing on war in the Pacific against the Asiatic aggressor, Japan, these payments are but a fraction of their real obligation. It would be better therefore if all talk of any free gifts to India were let off. When the time comes for drawing up final accounts, the world will see as to who was the debtor of whom.

The European Group in the Assembly has been showing some unwonted interest in Indian agriculturists. It is a pleasant surprise, of course, as upto now we have not seen any particular interest shown by European business people in the fate and destiny of Indian agriculturists. European commerce and European industrialists want raw materials either for export purposes or for being utilized for the industries they are running in this country. I hope that it is not from this stand-point that there was such an abundance of interest shown in the Assembly at the last session. It must be remembered that India does not want to remain merely as a supplier of cheap raw materials to the world at large. It is to the benefit of the Indian agriculturists that there should be a large number of thriving industries in this country rather than that she should merely be an exporter of foodstuffs, oilseeds and cotton to the outside world. Sir Frederic James suggested that one of the most valuable uses to which the sterling balances could be put was for the reconstruction of agriculture by providing pumps for water supplies, tractors, threshing machines and ploughs. Such observations make me fear that they want India to remain as an agricultural country and that the prospect of industrializing India does not appeal to them.

Anti-Indian Legislation in South Africa

You are, no doubt, aware that after Justice Broome submitted his second report on Indian penetration in Durban, the Minister of Interior, Mr. Lawrence introduced a Bill in the South African Assembly to make further provision with regard to restrictions upon trading by Asiatics and occupation by them of land in Transvaal and to impose restrictions regarding acquisition and occupation of land in Natal. This piece of legislation has passed through all the stages and become an Act despite the protests from this country. The provisions, as you will have learned from the speeches of the Minister of Interior and Field Marshal Smuts, are very drastic and embrace the methods of Nazis to overcome the racial problem. It is, however, amazing that during the course of the war, the Government of Field Marshal Smuts should have thought it desirable to enact such a discriminating piece of legisaltion, the provisions of which are in contradiction to the Cape Town Agreement of 1926. Indians in South Africa have been put to several severe disabilities since 1885 in a country where they were the first to

introduce any system of trade and transport. Lord Hailey, in his monumental work on "An African Survey", very often refers to this fact and observes that it was the Indians who piloted Vasco da Gama on his first voyage across the Indian Ocean. Even Mr. Churchill whose views on Indian rights and privileges are too well known, acknowledges the fact that Indians were the first who tilled the soil and built bridges in Africa. In his book, "My South African Journey", Mr. Churchill says :

> "It is the Indian trader who penetrating and maintaining himself in all sorts of places to which no white man would go, or in which no white man could earn a living, has more than anyone else developed the early beginnings of trade and opened up the first slender means of communication."
>
> "It was by Indian labour that one vital railway on which everything else depends was constructed. It is the Indian banker who supplies perhaps the larger part of the capital yet available for business and enterprise and to whom the white settlers have not hesitated to resort for financial aid."
>
> "The Indian was here long before the British officer. He may point to as many generations of useful industry on the Coast and Inland as the white settlers, especially the most recently arrived contingents from South Africa (the loudest against him of all) can count years of residence."
>
> "*Is it possible for any Government with a scrap of respect for honest dealing between man and man to embark on a policy of deliberately squeezing out that native of India from regions in which he has established himself under every security of public faith ?* "

The statements and observations of these two eminent English authorities may not put Field Marshal Smuts into an inconvenient position, but they are an effective challenge to his arrogant remarks that the country was occupied by Europeans and that he was determined to keep it for Europeans. It is indeed painful that a statesman of the eminence of Field Marshal Smuts should be a party to such a discriminating legislation, which deprives Indians of the elementary rights to purchase, use and own any property and which violates the Smuts-Gandhi Agreement of 1914 and the Cape Town Agreement of 1926. Before the Joint Session of the British Parliament in London, he spoke of the lofty ideals which the United Nations were determined to establish in the world after Hitlerism was crushed; his speech, however, in the African Assembly was the very negation of the principles which he enunciated. This piece of legislation, as the *Rand Daily Mail* of Johannesburg

very pertinently pointed out, " will surely have unfortunate repercussions in India and weaken the bonds of the Empire (which the Dominion party is so anxious to preserve) at a time when it is especially important that they should be strengthened."

In the successive measures which the Government of South Africa enacted against the Indian nationals in that country, it was often maintained by the Government spokesmen that discriminating legislation against Asiatics—Indians—had to be enacted because they did not come up to and maintain the high standard of sanitation, which the European residents were maintaining. In this connection it may be pointed out that a Goverment Medical Officer in his evidence before the Feetham Commission completely repudiated this charge. He said :

> " Asiatics are generally of the trading class and live in the back-quarters of trading premises. In these circumstances, they are as amenable to sanitary requirements as the average European or poorer classes, *and at times, are an example to such Europeans.*"

Lord Hailey's review on the position of Indian immigrants in South Africa is a severe indictment of the Municipal and Government policy in that country; Indian immigrants have no vote and no voice in a country which they have adopted as their own and it is but fair that they should look to us for help to redress their grievances. Unfortunately, the Overseas Department of the Government of India has become an orphan and the Viceroy has to represent to the Dominion Government the sentiments of the people of this country. We, however, must take all possible and effective steps which will compel the Dominion authorities to withdraw this legislation. It is a piece of legislation which discriminates between man and man and the author would be committing a crime against humanity and blasphemy against God, if he persisted in putting it into operation.

Burma and Indian Interests

We have been receiving reports from reliable quarters for some weeks past that plans for the reconstruction of Burma, now under enemy occupation, are being seriously considered by the Government of Burma stationed in this country. As India has a long historical association with Burma, as large interests have been established by Indian nationals in that land when it was a part of this country and as India has been rendering active help in the Burma campaign, India is deeply concerned in the evolution and determination of the political, economic and material reconstruction of Burma when it is re-conquered. It is, therefore, essential in the first place that such plans should be undertaken in close consultation and agreement with

the Government of India and we would urge upon the Government of this country that they should see that no decision or action is taken by the Government of Burma in regard to any policy or any vital question relating to the reconstruction of Burma without their consulting the Government of India in a proper manner in connection therewith. As Indian nationals have tremendous stakes in Burma and as it is essential to ensure that the status, position and rights of Indians in the Burma of the future are the same as they have been hitherto, it is imperative that the Government of India should take the Indian public and Indian commercial opinion into their confidence in this matter and should be guided by them in the formulation of any observations and criticisms that they may have to offer in connection with the proposed plans for reconstruction. I would, therefore, most earnestly request the Government of India to see that the Indian public and Indian commercial opinion has an effective voice in the plans that may be ultimately formulated for the reconstruction of Burma when it is reconquered.

Reports have also reached us that in many cases the Government of Burma have not yet settled the claims of Indian merchants in Burma under the Burma War Risks (Goods) Insurance Scheme as well as in respect of goods supplied to or requisitioned by the Government. There are also questions regarding claims arising out of the destruction of property due to enemy action or due to the scorched earth policy as a measure of war operations. As these matters have been now outstanding for a long time past, I would most earnestly and strongly appeal to the Government of India that they should make effective and proper representations on behalf of the Indians to the Government of Burma for ensuring a speedy and effective settlement of the various claims which they have lodged against the Government of Burma. It is also well known that the help rendered to the evacuees by the Government of this country is not quite adequate. I would, therefore, urge upon the Government of India to become more generous, prompt and regular in giving such help and assistance to these evacuees as they are badly in need and as they really deserve.

Slaughter of Prime Cattle

India is primarily a land of agriculture and as such she largely depends on cattle which are the mainstay of a very large section of population eking out their living on fields and farms. India possesses nearly one-third of the world's total cattle population. In the words of the Royal Commission on Agriculture, over which Lord Linlithgow presided, " In most parts of the world cattle are valued for food and for milk;

in India their primary purpose is draught for the plough or the cart. . . . " In advanced countries, cattle labour has been replaced by mechanical power, but in India, to quote the same authority again, " without the ox, no cultivation would be possible; without the ox no produce would be transported." In view of the importance of cattle to agriculture, it is obvious that they should be reared and preserved with great assiduity and constant care. It is rather unfortunate that in a country where the livestock is the backbone of the agricultuarl economy, a large number of prime cattle are being withdrawn from agriculture. On reports that a large number of cattle was being purchased, even at high prices for supplying to the Military, your Committee addressed the Government of India pointing out that such a withdrawal of cattle would mean a direct drain on the agricultural wealth of the country. They also requested Government to supply them with the information relating to the number of cattle purchased for Military and statistics of export of livestock to foreign countries. Further they enquired about the number of cattle slaughtered in the different parts of the country. Government, however, have declined to furnish them the information. I must emphatically state that the cause of the " Grow-more-food " campaign launched by Government will be seriously jeopardized by the withdrawal of the livestock. The food situation in the country, in spite of official declamations, is very serious and it demands that all the availabe cattle should be utilized to the fullest extent with a view to increasing the production of foodgrains. As you are aware, at the close of the last war in Germany and Austria thousands of children died on account of want of sufficient milk supply. Gentlemen, I am afraid that a similar situation may threaten this country. It is estimated by Dr. N. C. Wright that the per capita consumption of milk in India is 7 to 8 ounces per day, which is the lowest in the world. Although next to U.S.A., India is the largest milk producing country, the consumption is very insignificant for a variety of causes with which I shall not deal here. The purpose for which I refer to these facts is that although eminent authorities have stressed the importance of cattle to our country, we find that a large number of livestock is being slaughtered due to the exigencies of war. It is regrettable that Government have not acceded to the request of your Committee for being supplied with the statistical information which is vitally necessary for the consideration of questions relating to agriculture. Since statistical information is denied to us, we are not in a position to correctly judge the situation and suggest remedies for the same. I hope, Government will carefully watch the situation and will not hesitate to take suitable action to preserve the prime cattle of the country.

Speech of Mr. Pranlal Devkaran Nanjee, Vice-President, at the First Quarterly General Meeting of the Indian Merchants' Chamber, on Friday, 30th April 1943.

MR. PRESIDENT AND GENTLEMEN,

The President has, in his able speech, dealt with some of the questions which are engaging our attention today. I will supplement the same by referring to some matters, which are of interest at the moment.

BUDGET REFLECTIONS

As your Committee had issued a detailed statement of their views on the Budget of the Central Government for the year 1943-44, it is not necessary for me to attempt a review of the position. The budget was dominated by the abnormal increase in the expenditure on defence. The expenditure on defence has gone up from Rs. 46 crores in 1938-39 to Rs. 189 crores in 1942-43 and Rs. 183 crores in 1943-44. The real military expenditure if the items of capital outlay as in the past are also included, would be Rs. 238 crores in 1942-43 and Rs. 207 crores in 1943-44. The Finance Member resorted to an act of window-dressing by separating for the first time the so-called capital items of expenditure in an attempt to show the net revenue expenditure at a reduced figure and incidentally reducing the figures of the real deficit for the year. Notwithstanding this increased burden, it is being seriously argued that India has got off lightly and that a good portion of the expenditure which is really incurred for her defence is being met by His Majesty's Government and U.S.A. We must express our strong protest against such an attitude of patronising condescension. On the other hand, there is a growing feeling of nervousness in the country that we are being asked to bear increasingly heavy burdens all of which could not legitimately be said to be for Indian defence purposes. Our past experience about the manner in which India was made to bear the cost of expeditions conducted for Imperial purposes such as the Afghan War, the Forward policy in the Frontier, the Burmese War, etc. indicates the need for great vigilance so as to prevent the same story being repeated this time also. There is much that is nebulous about the existing arrangement for allocation of defence expenditure. It is all very well to use catch-words like " India's war measures " and " joint war measures " for attempting allocation of expenditure between this country and the Allied Governments. But the whole crux of the question is as to who is to decide whether a particular expenditure or a particular operation was exclusively in " joint interests " or in India's own " interest " ? As long as the representatives of the Indian people have no control over the defence policy of

the country, and as long as the present subordinate constitutional position prevents a check and scrutiny on the items of the expenditure by the sons of the soil, Indian public opinion will fail to be convinced that the enormous bill which the country is being asked to foot is really justified and fair and that she is not being asked to carry somebody else's baby. India has become a major sphere of operations and India's defence is now a matter of Allied war strategy. To give a concrete example, I ask in all seriousness whether the expeditions and operations that are now being carried on for reclaiming Burma are deemed to be in the nature of " India's war measure " or " joint war measures ". According to me, it is not joint for India has no territorial ambitions whatsoever and as such she should not come in for any share of the expenditure incurred in connection therewith. I am obliged to make these observations because of the unfair suggestion which is passing muster in certain circles now that the U.K. and the Allied Nations have philanthropically agreed to relieve India of a portion of the liabilities which legitimately should have been borne by her. According to us, the boot is definitely on the other leg. India is being asked to pay much more than is legitimately due from her as her share of the common burden and she does not stand in need of philanthropy or charity, at any rate, from those who have saddled her in the past with burdens which will not bear scrutiny. Perhaps, the country is being prepared by such propaganda for a demand for a war gift as on the last occasion.

Sterling Balances

It is a matter of great concern that covetous eyes are now being cast on the sterling balances which have been accumulated on behalf of India in the U.K. It is being freely insinuated that these balances have accrued because of India not bearing her full share of the war expenditure and because a large proportion of India's own defence expenditure was being met by U.K. Even a paper like the *Economist* of London, which is noted for its balanced views, indulged in such a specious plea in commenting upon the proposals and changes suggested in matters concerning finance at the last Annual Meeting of the Federation of Indian Chambers of Commerce and Industry. The truth of the matter is that these sterling balances have accumulated because His Majesty's Government chose the convenient way of paying in sterling in London for war purchases made in this country. In the ordinary course, they would have been obliged to pay in rupees in India just as they had to pay in dollars in America. If ordinary methods of settling international accounts were to be followed England would have had to export gold to this country to make good her balance of

payments. But in view of our subordinate constitutional position, any such demand would be dismissed as political. In order, however, to counteract the effects of interested propaganda, it is necessary for us to unequivocally assert that these balances have now accumulated in their present form because of the inability of U.K. to settle accounts in the normal method. Various proposals have been made by the Indian commercial community regarding utilization of these balances. I will not go into the details of the same here, but I should like to refer to one of the proposals because of certain interested propaganda that is being carried on based on the same. It was suggested that a part of these balances should be utilized to repatriate some of the British commercial investments in India. There is nothing extraordinary about this suggestion; England had to do it with regard to her investment in U.S.A. Nobody felt ' appalled ' at the action taken by the Government of India at the instance of His Majesty's Government in requisitioning the dollar resources of Indians for use of the U.K. Moreover, all the members of the sterling area including Empire countries, with the exception of India, have taken care to keep only the minimum of sterling balances in the U.K. South Africa prefers to have no sterling and keeps its surplus in gold. Canada has recovered part of her sterling balances in gold and has also repatriated English holdings over the value of 800 millions. The Government of Argentine have secured an arrangement in the nature of a Gold guarantee in respect of her sterling holdings. India, however, is in the unfortunate position because of her political subordination of not being able to demand, much less enforce, treatment on similar lines in so far as her dues are concerned. Insult is being added to injury by a proposal to freeze this balance by the creation of a Post-war Reconstruction Fund available for use for acquiring equipment and machinery after the war. Apart from the various objections to this proposal, where is the guarantee against India not being made to suffer consequent upon any large scale depreciation of sterling in the post-war period ? These sterling balances have again resulted in the issue of additional currency within the country and one of the main objects in suggesting the need for reducing the balances was the anxiety to check the currency expansion here. That object will not be served; at the same time, by these balances England is helping herself to prevent inflation in U.K. by securing a long-term loan without the consent of this country, at a nominal rate of interest. India has suffered in the past by reason of her financial and currency policies being tacked on to the chariot wheel of the U.K. We are naturally anxious that the experience of 1920-21, when India's sterling resources in the United Kingdom were wiped out in an effort to maintain a fictitious exchange should not be

repeated, and it is therefore the duty of Government to reassure the Indian public in this matter by taking practical steps for the timely utilization of the sterling balances in the best interests of the country.

Sales of Silver

There has been a good deal of quibbling recently regarding sales of Indian silver in the U.K. The gravamen of the charge made against Government's silver policy was that whereas price of silver in the Indian market was, in rupees, the equivalent of 34*d.* per ounce, the Indian Government sold India's silver in the British market for 23½*d.* which meant a loss to the Indian taxpayer of not less than 10*d.* No convincing explanation for this policy has so far been given. Prices in India have since then gone up. In spite of the most persistent efforts by the members of the Assembly during the last session, the Finance Member did not explain the position; in fact, he even refused to give information to the Legislature regarding the extent of the sales and the present position of the stocks. It, however, transpired from one of his replies that recently India had to ship certain quantities of silver to U.K., although he excused himself by saying that the same was done to replenish the stock normally held there. Private estimates have placed the sales at the aggregate value of Rs. 150 crores. Incidentally, Government justified these sales on the ground that silver was required for essential war requirements. The policy of hush-hush followed by Government in regard to these transactions is certainly intriguing and the conclusion is irresistible that there is a skeleton in the cupboard which the Finance Member is trying to hide.

Inflation and Suggestions made by Economists

We have all read with interest the statement issued by a batch of eminent Indian economists on matters affecting the currency position in the country. There is much that is common ground between them and us. We are also alive to the dangers inherent in the present policy of expansion of currency. I am, however, not sure whether the remedies suggested by them will appeal to all in the country and whether they are in our best interests. In particular, we cannot, at any rate, support the suggestion which has been made that there is room for increased taxation in the country. On the other hand, taxes have been piled year after year since the beginning of the war with the result that the necessary incentive for business expansion and new enterprises has been greatly curbed. If in suggesting taxation our eminent friends meant increased burden on trade and industry, we cannot help pointing out that they

have overlooked the incidence of the war-time taxation, particularly the E.P.T. This levy is taking away more than 80 per cent of the increased income and as I said before, if any measures intended to trench upon the margin are to be thought of, the same will completely remove all incentive for expansion of business. So far as the middle-classes and earners of fixed incomes are concerned, the increased burdens in the shape of surcharges on income-tax have made serious inroads into their purchasing and staying power and there is hardly any scope for additional taxation.

With regard to the other positive suggestion to combat the situation made by the economists, viz. increased borrowings by the Government of India and the Allied Governments in the country, the same will be made practicable and successful only if there is a reorientation in the whole Government outlook and policy. It is perhaps a practical policy to carry on the war with its implications of colossal expenditure with the help of a big borrowing programme, but I must sound a note of warning that without creating improved political conditions within the country it is futile to expect the people to be enthusiastic in supporting Government in their loan programmes. The whole malaise has more deep-rooted causes and the solution entirely is neither more taxes nor increased borrowings.

Banking Legislation

The comparatively easy monetary conditions have resulted in the floatation of a number of new companies in the country. While we welcome this development, it is at the same time necessary to take every possible care to see that the history of the period immediately after the last war is not repeated. We should be more circumspect and institutions and undertakings which have prospects of a permanent character should be encouraged. Companies are started to carry on trade or transact business on lines in which we have already made some strides. I believe it would be in the interests of the country to strive for development and progress on a more rationalized basis so that possibilities of organizing new lines of trade and manufacture are also fully investigated.

In the sphere of banking there has been a large number of new floatations. Since September 1939, thirty-eight new banking companies, including two in Indian States, have come into existence. While I agree that there is yet considerable room for banking expansion in the country, this development naturally has raised the issue whether the existing law regarding regulation of banking business is sufficiently orthodox. A lurking feeling of apprehension which has its background in the experience of the banking crisis of 1911 and the more recent

debacle in the south is responsible for a renewal of the demand for a greater control over the banking institutions of the country. It may be recalled that the Central Banking Enquiry Committee both in its Majority and Minority Reports had recommended the codification of the banking law of the country by enacting a separate Banking Act so as to provide that the business of banking shall be conducted on well regulated and orthodox lines. When the Companies Act was amended in 1936 an opportunity was taken to review the position in relation to banking companies and certain special provisions were added to the Companies Act to cover the particular requirements of banking companies. The banking crisis of the south led to a further review of the position by the Reserve Bank of India and in the year 1939 draft proposals were submitted for an Indian Bank Act. Government, after eliciting public opinion on the said proposals, ultimately decided not to proceed with the legislation for the period of the war as the views and replies received disclosed lack of complete unanimity in regard to some of the suggestions. It is a matter for no small regret that much valuable time was lost thus between 1931 and 1939 in cogitating over the needs and requirements of the situation. The Reserve Bank of India has now come forward with an interim proposal covering the regulation of capital structure of banking companies and the distribution of the voting rights. While normally businessmen would feel that they should be allowed to conduct their business affairs with the minimum of regulation, in matters relating to banking and credit, because of the social significance of the functions discharged by such institutions, it is necessary to voluntarily agree to some checks which would prove to be of advantage to society at large in the long run. It must be remembered that unlike ordinary joint stock companies, the moneys handled by a banking institution are not its own. And banking, unlike other commercial activities, is a sort of public utility service. In ordinary companies, the shareholders who are the proprietors, risk their own future or fortune if they indulge in operations or business methods of a questionable or imprudent character. But in a bank the larger proportion of the moneys is secured in the shape of deposits from the public and as such the consequence of defective organization or imprudent business methods would have to be borne by such depositors with consequent reactions on the social organization. I believe, therefore, that it would be in the larger interests of the community if we were to agree to some checks and controls inevitably necessary in the conduct of banking in India. The Reserve Bank of India has suggested that the capital structure of a bank should conform to certain recognized orthodox standards and that the voting rights of shareholders in a banking institution should be so distributed

as to involve the minimum risk of manipulation. I do not wish to trouble you by going into the details of these proposals as they are now being examined by your Committee, who will, in due course, submit their full statement of views. But I believe that these proposals should *prima facie*, with necessary adjustments for the interim period to enable institutions which have already been started to fall in line, appeal to all those who wish to see banking developed on right lines in this country. I should also at the same time like to suggest that the Reserve Bank may very well ask the Government of India to proceed with some of the less controversial suggestions which they had made in their proposals of 1939 along with the interim legislation so that the question of reforming the banking law in its entirety need not be kept hanging fire indefinitely. This naturally brings me to the question of linking the indigenous bankers with the banking fabric by due recognition and necessary control. There have been long drawn-out discussions on matters arising out of this question. As important banking functions are still being discharged by these indigenous bankers, it would be in the larger interests of the country if more serious efforts to secure a satisfactory solution of this aspect of the question were pursued.

Another question, which may usefully be considered along with the proposed legislation, is the position of Indian scheduled banks in the financing of India's foreign trade, which still remains far from satisfactory. The total volume of import and export trade of India in normal times amounted to Rs. 600 crores per year. The financing of this trade generally consists of affording credit facilities to the stages of export from the Indian ports to the foreign ports or *vice versa*, and the financing from or to the Indian ports to the upcountry distributing or collecting centres. The bulk of the first type of business, consisting of dealings in foreign bills of exchange, continues to be concentrated in the hands of non-Indian banks, which have come to be known as "Exchange Banks". The disabilities inherent upon such a state of affairs were discussed at great length by the Indian Central Banking Enquiry Committee, both in its Majority and Minority Reports. It was explained by that Committee that the main reasons which prevented Indian scheduled banks from acquiring a legitimate share of this business were the competition from the well-established non-Indian banks with their huge capital and resources, the absence of branches of Indian banks at London and other important overseas centres, the small profits realized from this business and the comparatively full use made of the resources of the Indian banks in internal business. Since then, Indian banking has developed, both in the number of banks and in the extent of their resources. The Reserve Bank of India has a branch in

London, and under Section 17(3) of the Reserve Bank of India Act, the Bank is empowered to re-discount foreign bills of exchange and otherwise assist transactions involved in the financing of foreign trade. In view of this authority that the Reserve Bank of India possesses, active steps for securing the participation of Indian institutions in the field of foreign exchange business should be considered. I believe it is the duty of the Reserve Bank of India to take the initiative in the matter and draw up proposals which would enable the Indian scheduled banks to transact exchange business through the Reserve Bank of India on favourable terms. The question is not merely one of sentiment. The expansion of the foreign trade of the country is very much dependent on the banking facilities available for that purpose. It is also a well-known fact that the handling part of a substantial portion of our foreign trade is still in the hands of non-Indians, i.e. we use the medium of non-Indian shippers and exporting houses for sending out of the country a large volume of the merchandize we sell. This is also due, to a large extent, to the special facilities enjoyed by such houses, and unless Indian banks are also in a position to afford the same facilities, our dependence on them will continue to a large extent. We are witnessing the floatation of a number of new banking companies; and instead of all these units being allowed to concentrate and compete in the limited field of internal finance, a programme of expansion in the sphere of financing of our overseas trade should be chalked out, and the necessary initiative in the matter should be taken by the Reserve Bank of India.

Speech of Mr. Haridas Madhavdas, President, Indian Merchants' Chamber, at the Second Quarterly General Meeting of the Chamber, on 3rd August 1943

GENTLEMEN,

You have got with you the Report of the work done by the Committee during the Second Quarter of the year. Another three months have passed, an insignificant speck of time so far as the governance of this world is concerned; but, perhaps, an important period, if we take into consideration the situation of our country. One quarter after another has gone, and now practically one year has gone since the 8th August on which all the trusted and beloved leaders of India were rounded up. The stalemate which was set then has not yet been cleared. We have discussed this question so many times, and spoken on it and written on it also so many times that it will be the best thing at present to observe a dignified silence—a silence of patient protest and resentment, a silence, not of resignation, but of the inward feelings of the people. There were occa-

sions, during this period, on which our hopes ran high; while again after a time the hopes were quashed and as a reaction there were despair and dejection. What we feel the most is that, while the leaders are in detention, the forces which are working against the spirit of democracy and freedom and independence in the country have been continuing to gather their strength and cement their foundations. The rule of the Advisers has gone on, as also the administration by Ordinances. Minority ministries have been set up in certain Provinces, and experiments are being made to set up such minority ministries even in Provinces where the popular ministries had got a strong majority and where the former Cabinets and a large number of members of the Legislature are in detention. Is it constitutional Government to establish ministries in such Provinces, taking advantage of the absence of a large number of members of the Legislature in detention? Such an administration may be called by any other name; but surely it cannot be a constitutional ministry, and the British Government cannot claim that there is provincial autonomy now in different parts of the country. Provincial autonomy is to be welcomed, and we would like to have provincial autonomy at the present stage, when deep and burning questions of food and cloth are under consideration. But surely, it is not provincial autonomy to set up a Government consisting of a Cabinet of persons, who do not enjoy the confidence of the electorate or the Legislature, and whose life as a Cabinet would not even be, perhaps, of one hour's duration if the regular Legislature were allowed to sit and to express their wishes with reference to the contraptions being foisted upon them. Provincial autonomy is a real and vital necessity at present, and equally necessary is a National Government at the Centre for dealing with internal problems of tremendous importance, which have arisen and with invasion from the enemy at the gate, whenever it happens to take place. That this stalemate is allowed to continue is an index to the short-sighted statesmanship, lukewarm interest and indifference of the authorities, I mean, the British Government and the Government of India. I am surprised that there are some people who would even now blame Mahatmaji and the other leaders and consider them as responsible for this stalemate. Whatever may be their views and whatever may be the line of action they may want to take at present, they can do so only if the gates of the detention camps were thrown open and they were allowed to confabulate with each other, and feel the pulse of the nation, who would rather not be led by anybody else but be led only by them. If, therefore, there is any desire to end the stalemate, let an opportunity be given to these leaders in detention to place their views before Government and the public. The examples of Ireland and Egypt, after

the last war, are inspiring, but are not taken advantage of to shape the present policy. It was Lord Allenby, who protested against the then War Cabinet's policy with regard to Egypt (Mr. Churchill was one of the Cabinet members at the time), and got the Egyptian leaders, including Zaghlul Pasha from imprisonment to negotiate with the British Government. Similarly De Valera and his colleagues were got from the mountain fastness to negotiate with the British Government. In both the cases the experiment did succeed, and there is no reason why a similar experiment should not succeed here.

I have hopes, and I trust that I shall not be considered unduly optimistic, if I say, that the new Viceroy, Viscount Wavell, may be able to announce some change in the policy and to take steps which may lead to end the deadlock. This appointment itself is a new experiment, as in recent times there has not been an instance of any military officer being appointed to this highest office under the Crown. Instances have happened in the past for instance, in Egypt, where military officers have taken the courage in both their hands to take certain actions, which civilian rulers dared not do. There are, of course, Mr. Churchill and Mr. Amery to deal with also; but through the inscrutable ways of Providence forces may be set up against which even both these politicians will not be able to cherish their anti-Indian feelings. It was Mr. Churchill, if I remember it rightly, who proved a greater protagonist of negotiating with the Irish rebels and settling the Irish problem than many others. Let us hope that, before we meet at the next quarterly general meeting, the situation in India will have witnessed some vital and welcome changes.

Food Problem

I referred in my previous paragraph to two important and burning questions of the day, viz. food and cloth. The war takes its toll of millions of people, under the modern warfare carried on by machines and methods of the so-called civilization. Over and above the slaughter of soldiers, sailors and pilots by the modern warfare, the civil population living far away from the war zones is also massacred to the tune of hundreds of thousands. Besides this mass slaying, before which the operations in Chicago packing houses pale into insignificance, a large portion of the population suffers as a result of the food shortage. It was seen during the later stages of the last war that hundreds of children were dying every day in Germany, Austria, etc. The food problem in our country began to assume serious proportions almost from the very beginning of the war. Warnings were given by some of the foremost leaders and Government were urged to take steps in sufficient

time to avert a terrible calamity. Unfortunately, as my friend Mr. J. C. Setalvad observed in his speech at the last Annual General Meeting, excepting certain imbecile propaganda carried on in the name of Grow-More-Food, there was nothing much tangible achieved and the wider problems of inter-Provincial co-operation, control of the Central Government over the Provincial Governments, administrative machinery for surplus as well as deficit Provinces, etc. were practically shirked. Unfortunately, Government with a facile complacence considered that everything was best in this best of the world, and did very little towards meeting the food cyclone, as it must be called, which was advancing to this unfortunate land. The transport was not looked after, and a good deal of rolling stock and locomotives were sent outside, exports were not scrutinized and controlled, and large and heavy consignments were sent again outside, inter-Provincial control was not regulated and certain Provinces were given an upper hand in refusing to give out of their plenty, to their weaker brethren of other Provinces, no thought was given to getting the essential food requirements from other countries like Australia, no proper and systematic policy was laid down so as to equate between civilian and military population, and so on and so forth. All these were the sins of omission and commission on the part of the Government. There were also sins of omission and commission on the part of civilian population with regard to hoarding. Spokesmen of Government, nowadays, try to bring out that Government themselves were not to be blamed and that the chief parties to be blamed were the traders and the civilian population. In this connection, I am sorry to note that such a shrewd politician and a far-sighted Member of the Government of India, like the Hon'ble Sir Sultan Ahmed, should also be carried away by the platitudes in favour at present with the powers-that-be, and emphatically state that

> " It is a monstrous delusion to believe that the food situation is due to any real shortage of food ",

and that

> " It is due to nothing more or less than the facts that our social sense, which we believed had sufficiently developed, has either not adequately developed or has deteriorated. People of all classes have allowed their selfish fears or their desire for gain to count for more than the needs of the nation. The cultivator, the middle-man, the speculator and the householder who laid by undue stocks were all blameworthy."

Hard words do not break stones is an ordinary proverb. This severe and unsympathetic criticism of practically all the units constituting the nation is both unfair and unjust. As I have

stated already, the people also must bear some responsibility for the food problem; but this does not mean, as Sir Sultan Ahmed wants us to believe, that the different sections of the people alone are responsible and not Government. No doubt some of these sections of the population were guilty to some extent of absence of civil sense and social wrong; but the main responsibility lay upon the shoulders of Government, and it is they who failed,—and very badly failed—in not providing for the food requirements of the country. Since the last two years, perhaps, Government began to take a little more seriously the task assigned to them and Orders were issued for the control of retail dealers, wholesale traders, civil population, etc. I am afraid that all these things came, perhaps, too late; and yet I would not say that there was no necessity for such control orders. If there had been a systematic and scientific policy instituted from the very beginning of the war by the Central Government, with the co-operation of Provincial Governments and States, the policy of control might, perhaps, have been avoided; but afterwards control was absolutely necessary. Some people and some Provincial Governments have begun now to think in terms of free trade; and I am glad that there were, at the recent Delhi Conference, some representatives of Provinces and some independent gentlemen who fought against this idea of free trade, which would lead to a muddled trade and even to a greater disaster. It is no use now going over the past and trying to apportion the blame between the different parties. What we are now concerned with is to see that there is a greater co-operation between the different Provincial Governments. There are certain Provinces which are surplus and certain others which are deficit; and surely it rests with the Central Government as their primary duty to see that the former are not able to profiteer at the expense of the latter. Statements are openly made that the Government of Sind has made a profit already of about Rs. 60 lakhs on its grain transactions, and expects to have another Rs. 50 lakhs before the crisis ends; and that the Punjab Government refuses to part with its wheat except at a stipulated price, which is twice or three times more than the prices paid by its nationals for the same stuff. The United Provinces Government, it is said, has refused to part with any rice or wheat, though once definite promises were made that a large portion of the same would be delivered to the deficit Provinces. Government should not consider that any Province is of greater or more importance than the rest. All the Provinces, in fact, make India a composite whole, and care should be taken that no people in any Province are threatened with the calamity of a famine, just because a large quantity of foodgrains has been taken away in the shape of exports. When the food question began to develop

and the Food Department was established, your Committee fought and fought hard for having an Indian personnel in the Department and in the different agencies for purchasing foodstuffs and in the Commissionerships of Food organized under the Department. It is the nationals of the country, who alone can know and visualize what are the defects of the system or the best method and manner in which their countrymen can be saved from any food disaster. You require people who are intimate with the vast civil population, their conventions, their traditions and their habits of life; and you cannot surely expect such a knowledge from non-Indians. Unfortunately, the policy of Indianization was given a go-by for the Food Department, and non-Indians are included for the personnel of the Department for Food Commissioners, for purchasing agents and what not. The Federation of Indian Chambers of Commerce and Industry, which met in Delhi in the last week of March, passed a Resolution of great importance for the food situation. It insisted upon some of the very points which I am emphasizing today, viz. stoppage of exports of foodstuffs, facilities for export of essential foodgrains from the surplus to deficit Provinces, fixing the control prices at a level which would bring out supplies and transport facilities, etc. I myself moved that Resolution at the session of the Federation. Major-General Wood specially attended the Federation to speak on this question. He spoke sympathetically, but his speech was too optimistic. Thus, for instance, he said:

> "Train-load after train-load of rice is coming into Calcutta. There will be 15,000 tons of wheat alone in Calcutta by tonight since last Sunday. And we will go on doing it. We will go on pouring rice and wheat and everything else into Calcutta until we knock the nonsense out of the Rs. 25 a maund."

The nonsense was not knocked out of the Rs. 25 a maund, but this Rs. 25 became Rs. 36 a maund, and the whole of Bengal is now threatened with a dire famine. A Food Conference was held recently in Delhi, as other Food Conferences were held before. Some Committees have been appointed and there was a good deal of discussion and criticisms on both sides. I would, however, like to await any definite practical action resulting from the Conference before I welcome or criticize it. The Hon'ble Sir Azizul Haque concluded his speech at the Food Conference with the following words:

> "We are on our greatest trial and let us transcend beyond all considerations of profit, gain, hoard or profiteering, and stand on the highest plane of humanity and patriotism."

I say "Amen"; but at the same time, I cannot help pointing

out that the latest pronouncement of Mr. Amery, which I consider as an insult added to injury, is not going to help forward the solution of the food problem. He attributes, among other causes, the present food shortage to " larger consumption per head as a result of increased family income ". Surely, Mr. Amery has been guilty of several indiscretions in the past, but this indiscretion beats all the rest. While practically the whole country is at present suffering from a food shortage, while the Central Government has organized a special Food Department and different Provincial Governments are concerting measures to face the food crisis, and while in some Provinces and in some districts there is an actually terrible shortage of food and famine conditions, Mr. Amery wants to show to the outside world that the cause of all this trouble is that we are over-eating!

Cloth

Just as there has been the scarcity of food, there is also distress in the land arising from the high prices of cloth. Some of the causes operating in the direction of raising up of prices of foodgrains and making the food scarce have also been operating *vis-a-vis* cloth. At the beginning of this war, a curious phenomenon was seen of the cotton prices going down. Cotton, however, recovered afterwards. Its price began to rise, and the price of cloth also began to rise and there began to be felt a keen distress throughout the country as a result of the scarcity of cloth. Despite this, heavy exports of cloth were taking place to neighbouring countries, and the Chamber of Commerce and other Associations were protesting, but all in vain. As with regard to foodstuffs, so with regard to cloth, Government took time to formulate any definite and systematic policy to deal with this cloth problem. We were told that Government would induce the Millowners to produce standard cloth, which would be sold at a rate much cheaper than the other cloth. Months, however, elapsed and still nothing was done. In the meanwhile the cloth usually produced by the mills for the civil population began to soar higher and higher in price, till there was seen a rise of 200 per cent and 300 per cent and even more. It was only recently that Government and the Millowners put their heads together to meet this distress, and as a result of the negotiations and confabulations the much-discussed Cloth and Yarn Control Order was issued. The details of this Order are to be filled up, as that work will have to be done by the Sub-Committees to be appointed under the Order. The fundamental Clause in the Order, Clause 14, lays down that no cloth or yarn manufactured before 1st August 1943 shall remain in full bales after 31st August and all such cloth and yarn shall be finally disposed of by retail sales not

later than 31st October. It is this Clause which makes the Order impracticable. Any attempt to insist that all the full bales should be opened out and cloth pieces taken out will muddle the whole situation, as the quality of the cloth and yarn will deteriorate if they are taken out from the full bales and kept practically open in the godowns. No details have been forthcoming as to how the dealers can be forced to sell in the absence of buyers. Government are compelling the traders to sell the stock, but if there are no buyers forthcoming, how are the former expected to fulfil their obligations under the Order.

Your Committee considered this whole Order very carefully and criticized it as being impracticable. They have recognized the necessity for a control order with regard to cloth as with regard to foodstuffs; but there are certain considerations which should have been borne in mind by Government before they issued such an order. What your Committee have pointed out is that there are five fundamental interests so far as cotton goods are concerned, viz. cotton producers, cotton distributors, cotton goods manufacturers, cotton goods distributors, and consumers. What Government did was that they tackled this problem piecemeal as it were. They first dealt with cotton and then dealt with cloth, though they should have taken both these questions together. The whole machinery of the Order will revolve round the Cotton Textile Control Board. The Board, as it is constituted at present, consists mainly of the representatives of one section, viz. the cotton goods manufacturers, the other sections being represented by one or two representatives each. If the position is to be set right, and the consumers are to get their urgent requirements of cloth at reasonable prices, and the cotton growers have not to be mulcted, the only course open is that all the above five interests should be represented proportionately on the Control Board. The cloth problem is also a vital problem and Government have to take care that the acute distress felt after the last war will not be repeated again. In fact, already there is a cry in several provinces about the people not having anything to put on and not being able to stir out of their houses as they have no extra garment. It requires the combined efforts and co-operation on the parts of the manufacturers and Government and the distributors to give cloth at reasonable prices to the consumers. There is a great necessity for stopping, even now, exports of cloth to foreign countries, though this step should have been taken long before. Surely the claims of the children of the soil are much higher than those of countries, nearby or distant, however friendly they may be to the Allied Nations. Their claims can, and should be met only after meeting the claims of the nationals

of the land. As I said before, there are the five main interests centred about cotton manufacturers, and unless all these five interests co-operate and combine, the condition of the people with regard to their vital requirements of clothing will go from bad to worse. The constitution of the Textile Control Board will have to be amended considerably to satisfy public opinion, and the working of the Sub-Committees should be carried on in such a manner that all these varied interests have their claims properly looked into and satisfied.

Control of Cotton

While admitting that a policy of judicious control over production, transport and distribution of commodities is necessary in times of such emergency, it should not be the function of Government to devise and enforce controls, which have been subsequently by experience found to be unworkable, impractical and defeating the objects for which they were devised. Myself and my predecessors, from this Chair, have given significant warnings against the policy of indiscriminate Government controls, drawing their attention to the necessity of consulting the interests concerned before devising such controls, as it has been found that the issuing authorities are not conversant with the methods and practices of several trades, which are affected by such measures. The position of the trades has, particularly, been made unenviable by such measures being promulgated under the Defence of India Rules. I would, particularly, appeal to Government to control the trade by the method of advice and consultation with the trades concerned.

The Cotton (Forward Contracts in Current Crops Prohibition) Order, 1943, issued on May 18, is a glaring instance of a Control Order, which in my opinion, has no parallel with any other such Control Orders issued. If the trade had been consulted before issuing this Order, it would have, primarily, been made apparent to Government that such an Order could not have preceded the Control of Yarn and Cloth which were ruling at considerably higher prices than the prices based on the then current quotations for cotton. I need not emphasize the gross injustice done to the cotton trade by this inverse method of first controlling the cotton and then controlling cloth and yarn trade. The effect of this Cotton Control Order would be that the manufacturing mills would be able to buy cotton at prices over which a ceiling has been indicated and thus benefit at the expense of the cotton traders and growers, while, on the contrary, no bottom prices are fixed for cotton at which the mills would be compelled to buy cotton or the prices at which Government themselves would buy cotton for the benefit of the growers in case of prices going below ceiling. You will see from this

that the Order is based on inequality which would favour only a certain section of trade to the detriment of the larger interests.

Amongst the provisions of this Order, is one which beats all common sense and usual methods of genuine forward trading. According to this provision, " all differences arising out of any contract so deemed to be closed out, shall be payable on the basis of the rate fixed as aforesaid and the seller shall not be bound to give and the buyer shall not be bound to take delivery ". Under this provision, the two days left open for adjustment before the closure of forward trading would be utilized by the bears who might without fear of any penalty for non-tender go on recklessly selling cotton with every certainty of making speculative profits. Such a method of adjustment could not have been devised by the authorities who certainly were aware of the delivery and tender requirements under which forward contracts were functioning. I must say that this procedure on the part of Government shows disregard of the sanctity of contracts and International Commercial Law. This Order has evidently been enforced to check speculation in cotton prices, decrease acreage in cotton crops and encourage and popularize the Grow-More-Food campaign. We could have no objection with these objects. If it was a matter for checking speculation, if it existed in the form in which Government feared it was, trade itself would have devised ways and means to put down such a movement of forced prices; but, we who are in the trade know that cotton remained at a low ebb for a long time even after the war began. In fact, the parity of prices in Indian cotton continued very long time below that of cotton in U.S.A. and other foreign countries. I strongly maintain that the action of Government in bringing down arbitrarily the prices of cotton was a direct blow to the grower, who was never cared for in so many past depression years. In fact, the rise in prices of cotton from near about Rs. 200 level was directly due to a large demand on the part of the textile mills which were beginning to have three shifts to meet the requirements of Civil and Military. There is a feeling in the trade that cotton interests have been badly let down especially the grower, and of course the dealers also, as the control does not provide any bottom to the price of cotton whereas there is a ceiling indicated for the maximum price. It is also suggested in some quarters that as this Order has been devised to provide cotton for the manufacturing interests at reasonable rates, such interests should be required to buy cotton at the ceiling prices indicated by Government, and cotton grower be not left to the tender mercy of mills so that they may acquire cotton at distress prices. Anyway, in the interest of equity, Government should see that cotton is not allowed to be sold below the prices

indicated by Government and thereby indemnify growers of cotton who are so vitally important to the general economy of the country.

Communications

The problems of trade being always inter-connected with those of transport, I ought to emphasize at this stage that the people in general and the business community in particular have to undergo innumerable hardships due to the lack of essential facilities and also due to delays in the working of the communication services of the country. Your Committee have from time to time drawn the attention of the Railway Authorities to the inconveniences to which the travellers are at present subjected due to extreme overcrowding in railway trains as a result of the excessive curtailment of the passenger services. Almost all the business of the country is directly or indirectly concerned with the war-effort and any impediments in the path of business mean so much slackening of the war-effort. The lack of facilities to travellers may be regarded as an impediment to the progress of business. The existing facilities of travel are grossly inadequate. This can be remedied only by restoring some of the passenger services that have been curtailed. In spite of repeated requests from the Chamber and the public, the Kathiawar Express which connects Bombay with Kathiawar is not yet restored. On account of too many train services being curtailed, the travellers have to avail themselves of the few that are still operating and so, there is excessive overcrowding. In order to get tickets, the passengers have to wait in long queues at the booking offices and many have to return disappointed when the tickets are not available and have " to try their luck " on the next day, thus leading to a tremendous waste of time. Instances of corruption of the lower members of the Railway staff are common. Often, the passengers for want of accommodation for sitting or even for standing have to manage to stand on the narrow footboards for hours, while the train is in motion, thus exposing themselves to grave risk to their lives. On account of the excessive curtailment of through trains between important junctions, the passengers have often to break their journey at several places, thus leading to a great waste of time and money. As pointed out by the Committee in their correspondence with the Railway Department, the message of avoiding any needless travels, should be carried not only to Indians who are the travelling public, but also to other sections of the travelling public and perhaps even to certain sections of Government services. In these days of very high prices, the people of India whose poverty is well known are not travelling merely for the sake of pilgrimage or pleasure but for the most essential purposes only. The Rail-

way Authorities should note that business is likely to be badly affected in case there is further reduction in travelling due to the serious inconveniences to which the passengers are subjected. In these days of petrol shortage, road transport for long distances is inadequate and so any curtailment of passenger services means adding to the hardships of the people. There cannot be proper development of trade when the transport system of the country falls short of the requirements of the people. Due to the shortage of the wagons, goods from one place do not reach another in time. This leads not only to a great waste of time but also to high prices in those areas where they are urgently required. So far as the short distances are concerned, facilities for transport of goods are not available, and so, they have to be carried in carts. In the monsoon season, it is difficult to send goods in this way. The Authorities should try their best to mend the matters very soon.

The business community is further inconvenienced due to undue delays in the postal and telegraphic services which are the most essential communication services of the country. The complaints of the people in this respect have found expression in the columns of newspapers from time to time. Instances have been found wherein a letter from one part of Bombay reaches another after a number of days. Telegrams have often been delivered by post leading to a great waste of time so far as the business community is concerned. The Posts and Telegraph Department is the connecting link between different parts of the country. Even the slightest delay or inefficiency in its working is an obstacle to trade. I hope that the departmental authorities would pay more attention so as to promote the efficiency of the staff and to avoid unnecessary delays.

Speech of Mr. Pranlal Devkaran Nanjee, Vice-President, at the Second Quarterly General Meeting of the Indian Merchants' Chamber, on 3rd August 1943.

MR. PRESIDENT AND GENTLEMEN,

The President in his speech has dealt with some of the questions which are engaging our attention. I shall supplement the same by a few remarks on matters which may interest you.

POST-WAR RECONSTRUCTION

A good deal of attention is already being paid to the discussion of questions connected with post-war reconstruction and to formulation of economic policies in the post-war period. To many, this may appear as a diversion of energies from the immediate purpose and as an attempt to paint a picture about

the future, giving alluring indications about the economic aims of the war and peace. This feeling of scepticism is, perhaps, justified by the experience of the events after the last war. In fact, it has, by now, been acknowledged that the scramble for raw materials and markets, which made itself manifest in such an ugly manner during the last two decades, led to the disruption of the peace ideals and the undermining of the League of Nations. It is at least refreshing to note that there is a greater sense of realism prevailing at present and that thinkers in some of the industrially and economically advanced countries are prepared to acknowledge that they cannot treat others as hewers of wood and drawers of water for all times. Very thoughtful contributions, for the need to build up a new era and to enunciate general principles applicable to all the nations, have been made by various bodies in European countries, in an attempt to stimulate thought in regard to the line of economic progress in the post-war period. The Federation of British Industries, London, and the London Chamber of Commerce, have published reports on the general principles of post-war economy, and there is evident, at any rate at this stage, an anxiety to recognize the claims of backward countries, and not to look upon them as merely fields of exploitation for industrially advanced nations. Thus, the London Chamber of Commerce, for instance, in its report asserts that :—

> "The Chamber cannot, therefore, support any scheme which, in the economic sphere, relies upon some supra-national authority (which in practice must mean the most powerful nation or nations) to dictate to the weaker nations what their internal economic policy shall be. None of the nations, by the management of its own affairs, has given any indication of being competent to manage the affairs of other nations whose conditions, aspirations and outlook would be entirely foreign to it."

In the same report, it further observes that :—

> "The Chamber is also convinced that nations are in such different stages of development, politically, socially, and economically, that any international trading system requiring for its successful working a substantial measure of uniformity in these matters, must be ruled out as impracticable. It believes that an overriding factor in considering any scheme of post-war reconstruction should be the elimination of economic fears between nationals. Economic relations should be a bond of union and not a source of fear."

So far as India is concerned, we would be willing to co-operate in any international efforts at securing a just solution of these problems; but the fundamental difference in position

as between industrially advanced countries and countries like India, where industrialization is still in the primary stage, will have to be recognized without qualification. International plans and standards set up from the point of view of the advanced countries would not necessarily fit in with, or be beneficial to a country like India, having vast scope for economic and industrial development. Similarly, in regard to any schemes or proposals for international regulation and distribution of raw materials of the world, it must be accepted as a starting point that producing countries like India will have a prior claim on their own products and that they should be entirely free to determine the extent and nature of the use to which such raw materials should be put in manufacturing processes within the country itself. We should also have full and unrestricted freedom to determine our post-war economic policy, primarily dictated in our own interests; and co-operation with other countries will be subject to that overriding consideration. Incidentally, I would like to mention that in the final stages of the war and immediately thereafter, many important conferences for formulating a joint policy in the spheres of financial, fiscal and economic questions will be held. It is very unfortunate that the stage of political evolution in this country continues to be unsatisfactory, thereby militating against effective representation of India at such conferences by spokesmen, who can claim to have the confidence of the country. In the existing state of affairs, we can only stress that the Indian delegations to such conferences should predominantly be non-official in character, composed of representative men, drawn from the commercial and public life of the country.

Coming to the question of post-war reconstruction and plans, so far as India is concerned, I admit that the use of the term 'reconstruction' is not without its humour. When we talk of reconstruction, it naturally pre-supposes that a state of construction existed before. In fact, our economic policy, particularly in the industrial sphere, in the pre-war period was a make-shift, and while I do not want to take up your time by dilating on the sins of omission and commission, I cannot help pointing out that for us the problem in the post-war period would be one not of reconstruction, but of construction pure and simple. The Government of India announced in the year 1941 the appointment of certain Reconstruction Committees, the problems to be dealt with by those committees were classified into main groups such as demobilization, disposal and contracts, public works, trade policy, etc. From the very nature of the subjects, which those committees were expected to tackle, it is obvious that Government had in mind more the transitional stage from

war to peace than the permanent aspects of constructing or developing the natural and the material resources of the country. It is common knowledge that these committees, although grandiosely announced, have been able to do precious little work. Subsequently, Government announced that the problems would be tackled more energetically under the direct supervision of a Member of the Viceroy's Executive Council. We have heard since then, nothing about the progress made or the programme chalked out under this new direction. So far, however, as the commercial and industrial community of this country is concerned, the problem of reconstruction is not to be tackled from that insular and restricted point of view of enabling the country to adjust itself in the transitional period. I have already referred to what our trade and economic policy, particularly in the international sphere should be. The main object of that policy would be to secure a rapid programme of industrialization, so as to enable the country to make the best use of all the natural resources available in abundance within her own frontiers. The goal of our economic policy should be utmost efficiency, technical and economic, ensuring maximum production of consumption goods at competitive prices. The transport system received a very serious shock during the early period of the war. It is, therefore, a direction in which attention should be concentrated, and all industries connected with the promotion of transport facilities, such as shipping and ship-building, locomotives and wagon-building, etc. should be started without loss of time. A machinery will have to be set up, something on the lines of a Council of Industries suggested by the British Chambers of Commerce for the post-war reconstruction in that country. Such a Council should function through subsidiary bodies set up in different parts of the country and it would be the duty of those subsidiary organizations to survey the possibilities of starting new industries in their areas or expanding existing ones and to formulate concrete and practical proposals for the same. All these proposals presuppose a high degree of co-operation and mutual trust and confidence between Government and the leaders of Commerce and Industry. While I agree that all these definite plans and proposals can be pursued only after the restoration of normal conditions, there should, however, be no difficulty in setting up the necessary machinery, which would do the spade-work and prepare the ground for the functioning of the plan of reconstruction at the appropriate moment.

Insurance

The development of the business of Insurance has a direct bearing on the economic progress of the country, and in fact,

side by side with Banking, Insurance plays an important part in harnessing the savings of the people for use in remunerative channels. It is, therefore, a matter for some satisfaction that in recent years Indian Insurance Companies have made rapid strides, particularly in the sphere of Life Insurance. As on June 1942, there were in all 294 Insurance Companies working in India, of which 198 were Indian Companies and 96 registered outside. Of the 198 Indian Companies, however, 161 were doing exclusively Life business and of the remaining 37, 18 carried on Life business along with general business. There were thus 19 Indian Insurance Companies carrying on only general Insurance business. Recently, however, a number of new companies have been started for general business and some of the Life Companies are also opening their Fire, Marine and General Departments. Analysing the figures of business done by Insurance Companies it is observed that out of the total new Life Assurance business effected in India during 1940, covering a sum of Rs. 36.11 crores, and yielding an annual premium of Rs. 1.89 crores, the share accruing to Indian companies amounted to a sum of Rs. 32.3 crores, with a premium income of Rs. 1.67 crores. The position in respect of General business, however, was not so satisfactory. The total premium income of Indian companies for that period was only Rs. 118 lakhs, as compared with Rs. 243 lakhs for non-Indian Companies. I am mentioning these particulars. with a view to removing any misapprehensions that may likely exist in view of the recent floatations of a number of Insurance companies that we are expanding in a sphere or direction in which sufficient progress has already been made. Particularly in regard to General business, there is much that remains to be done; and side by side a concentrated attempt should be made to develop an active insurance market in India. I hope that Indian general insurance companies will give their attention to this question at an early date. There are also several matters connected with the rules and regulations of the Tariff Associations, which perhaps stand in the way of expansion of the General business of Indian companies. By a united effort on the part of all the companies, it should be possible to secure modification of these rules so as to remove all such artificial difficulties.

While on this question, I would like to refer to some of the difficulties of Indian Life Assurance Companies, which have been recently brought to the notice of the authorities. The first question relates to the provisions of Section 27 of the Insurance Act, governing the investment of Life funds, which require that 55 per cent of such funds shall be invested in, what may be termed as gilt-edged and approved securities.

The greatest drawback of this provision is that the investment of such a large proportion of the funds of the companies in Government securities leads to low interest earnings. It must be recognized that the premium tables of Insurance companies are compiled on the assumption that certain rate of interest must be earned on the funds at their disposal, and if that rate of interest is not continued to be earned by the companies their business will get dislocated. In the existing condition of the money market, one can easily appreciate that the yield on investments in Government securities will continue to decline for, at any rate, some time to come. As a matter of fact, the net rates of interest realized by Indian Life Offices were 5.15 per cent in 1938; 4.68 in 1939; and 4.37 per cent in 1940, showing thus a progressive decline. The rates for the last two years, viz. 1941 and 1942 must still be less. It may incidentally be pointed out that in other countries like the United Kingdom, Canada and other Continental countries, where life insurance business has made remarkable progress, there is no such statutory restriction, and Life Assurance Companies have full freedom to distribute their investments in the best possible manner. As a matter of fact, in the year 1937, the British Life Companies had invested only 17.5 per cent of their funds in Government securities. The opinion of an eminent Actuary, the Rt. Hon. Lord May of Weighbridge, who was in charge of the finances of the Prudential Assurance Company on this point will be of interest. He has observed:

> "Trustee investments may be defined as a class of securities hall-marked by a paternal Government for the investment of trust funds which come under the administration of trustees who may possibly be either dishonest, ignorant, lazy or too lazy to devote the time required for the proper selection of investments. It is needless to say that none of these descriptions is applicable to those having the administration of insurance funds, and since an artificial market is created for these securities and the yield is on this account very low, they are on the whole quite unsuitable for the investment of our (life assurance) funds."

This question requires to be looked at from another aspect also. The business of life insurance has also to be looked upon as a credit agency, and it is but proper that the resources with such Companies should be made available for purposes of industrial development in the country. A programme of industrialization will require mobilization of large capital resources; and Insurance companies naturally are in a position to provide such capital if they are given the scope and freedom. In Japan, for instance, life assurance companies performed

the function of supplying finance to business and industrial enterprises, first through banks and later independently. All these considerations have been placed before Government through representations from different quarters, and let us hope that an early opportunity would be taken to suitably amend the Section in question.

Another matter of immediate importance to life business is in regard to the necessity for a tax ceiling so far as Life Insurance Companies are concerned. Due to war exigencies, the rates of income and super taxes have been increased; and the surcharges have also been added. It must be recognized that life insurance is in the nature of a long-term contract between the Company and the policyholders, and the fulfilment of that contract is largely based on the expectations and calculations in regard to interest yield. As pointed out just above, the rates of interest earned are showing a progressive decline, and if the taxation rates are stepped up, from time to time, the revenue position of Life Companies would be seriously affected. The principle of fixing a ceiling for taxation of Insurance income has already been adopted in Great Britain. The rate there has been pegged at 7*s*. 6*d*. in the £, or 37½ per cent as against the standard rate of 10*s*. in the £ or 50 per cent. In India the rate of taxation has already been increased from 42 pies to 74 pies per Rupee. The restriction on investments puts its own limitations on the interest earning capacity of Life Assurance funds, and if on top of this the incidence of taxation is to be increased from time to time, the Insurance Companies will find themselves in a position of serious embarrassment. It is, therefore, necessary that the rate of taxation should be pegged here and the same should be at a figure lower than the existing one.

War Risk Insurance

Representations have been made from different quarters to the Government of India for reducing the rate of premium for War Risk Insurance, both in respect of goods and factories. We are, indeed, on very strong ground in asking for this relief. Apart from the improvement in the war situation, it may be mentioned that the present rates in this country are much higher than the corresponding rates in the United Kingdom. In the case of the Factories Insurance scheme, the rate in U.K., which was 30*s*. or 1½ per cent, has since been reduced to 20*s*. or 1 per cent per annum. In India the rate continues to be 4 per cent for two years or 2 per cent per annum. Similarly in the case of the Goods Insurance, the British rate, which was ½ per cent in 1939 is now reduced to 1/8 per cent, while here it was increased from 1/32 per cent in 1939 to the

present figure of 5/82 per cent. The funds raised by collections of premia amounted to a substantial figure here, and according to the Budget estimates it would exceed Rs. 18 crores at the end of the year. It is, therefore, reasonable to expect a substantial reduction in the rates of premia for both the schemes of insurance.

There are also certain minor points connected with the Goods Insurance scheme. In U.K. premium can be paid for one month or for the whole quarter at the option of the assured, while in India the minimum period for insurance is three months. Thus, if there is a large stock at the beginning of the quarter, the incidence of the charge would work out very high, even though subsequently a substantial portion of the stock were disposed of. It was, in order to meet such anomalies, that we had in the past suggested the desirability of introducing a system of refunds for unexpired periods and for providing that on the lines of an ordinary fire policy, war risk policies should be made transferable and declaratory policies should also be allowed. Government should be persuaded to accept these suggestions, as otherwise under the existing arrangements the scale of charges for War Risk Insurance is pressing heavily on the trade interests concerned.

Excess Profits Tax Ordinance

Even during war, emergency legislation, involving issues of fundamental principles, are, in all self-governing countries, put on the Statute only after the normal process of parliamentary sanction for same. In India, however, the procedure of legislating by Ordinances and by invoking the rule-making powers of the Executive has grown into a habit and even in the spheres of Commerce and Finance, Government have now begun enacting laws through Executive orders. This is, indeed, a very regrettabe state of affairs, and cannot be condemned too strongly. Where was the necessity for providing for changes in the Excess Profits Tax Act by the issue of an Ordinance? If Government found that certain changes were essential, they could have, and should have, resorted to the normal course of placing the same before the Legislature and got the necessary amendments sanctioned. The recent Excess Profits Tax Ordinance provides for (*a*) a summary procedure of provisional assessment, (*b*) compulsory deposit of 1/5th of the tax, and (*c*) restrictions in regard to stock of raw material and payment of bonuses and commissions. It was claimed that the measure was primarily aimed at combating the inflationary situation existing in the country. If Government wanted to tackle the problem of inflation in a serious manner, they should have first addressed themselves to the

task of meeting the position arising out of the large accumulation of Sterling Balances by India. It is no use ignoring the fact that these balances are the largest contributory factor in regard to the present currency position in the country. His Majesty's Government chose the way convenient to them of paying in London for war purchases made in India, with the result that additional currency had to be issued within the country for making payments to the trade and other interests concerned. There has, thus, a vicious circle set in of our continuing to accumulate large Sterling credits on the one hand, and of our increasing the Note circulation for meeting the internal obligations on the other. It is no use ignoring this twin aspect of the problem; and if Government want to tackle the problem of inflation in any effective manner, they will have to address themselves first to the task of solving the problem of utilizing or disposing of our Sterling resources.

Your Committee have already submitted a detailed representation to Government, drawing their attention to the various objectionable features of the Ordinance. In particular, they have pointed out that the procedure of provisional assessment was bound to cause inconvenience and harassment to the assessees. In the case of many persons such assesssment might relate to more than one accounting period and in order to avoid any strain on their financial resources, they had suggested that Government should agree to recover only 80 per cent of the provisional assessment and should also afford facilities for paying the same in instalments. In regard to the requirement for compulsory deposit of 20 per cent of the Excess Profits Tax, apart from recording their strong objection to the principle underlying the same, your Committee have pointed out that in the case of many individuals and firms, after paying all the tax obligations, the balance left over would not be sufficient to make up the deposit. Moreover, Government have also taken powers to control bonus and commissions. It may, in this connection, be pointed out that under the existing provisions of the Income-tax Act, the Income-tax Officer has discretionary powers to disallow payments which are deemed to be extraordinary. The said powers are more than sufficient to deal with any case of unusually large expenditure by way of bonuses and commissions and the freedom of employers in the matter of remunerating their staff or agents by such payments should not be interfered with in any manner. The most objectionable provision is the proposal for regulating the extent of the trading stock and stocks of raw materials, which can be legitimately held by an assessee, as such interference by Government in the day-to-day activities of trade and industries in such a manner is not at all justified.

There are various practical considerations which have to be borne in mind in the matter of stocks to be held by trade and industries, such as price fluctuations, transport difficulties, commitments in the shape of forward sales, etc. and Government would be unnecessarily handicapping the business interests by putting any arbitrary limitations in this sphere.

Government have also issued several other orders recently affecting trade, commerce and industries under the Defence of India Rules. They have taken powers to control the issue of fresh capital; placed restrictions on advances on the security of commodities; controlled trading in certain staple commodities like cotton and oilseeds, in specified directions; and are thus interfering with the normal course of business operations. They are claiming that all this is being done to stabilize the price conditions in the country and to check the inflationary tendency. While the immediate effect is disorganization and dislocation in the particular trades and industries concerned, it is still a moot point whether the object Government have in view is in any way being furthered by these measures. We, of the commercial community, however, would like to emphasize that whenever Government find it necessary to arm themselves with such extraordinary powers, they should consult in advance, the trade interests directly concerned and go by the advice and suggestions received from such interests.

Speech of Mr. Haridas Madhavdas, President, Indian Merchants' Chamber, at the Third Quarterly General Meeting of the Chamber, on 4th November 1943

GENTLEMEN,

The report of the work done by the Committee during the last quarter is with you.

FOOD PROBLEM

During this period, the storm clouds which had gathered on the horizon in the previous period have ultimately burst into a cyclone and India is visited by one of the worst calamities in recent history. British propagandists have been showing in recent months the effects of famine in some of the countries under the sway of totalitarian powers in Europe. The British press, at least a section of it, has been at last compelled to wake up from its complacency and to ask itself if the events in Bengal and some other Provinces are not a replica of what they had been condemning in European countries overrun by Germany. An Anglo-Indian paper like the *Statesman* has got the moral courage to say that the mortality in Calcutta and round about from famine conditions is not less than 10,000

per week. People who had been through these scenes of destruction have said that the details there are horrifying and gruesome to the utmost extent.

When we met last, I referred to the callous observation of Mr. Amery that the food trouble in India was due to people over-eating. Since then the trouble has been so accentuated and the horrors of the situation have so increased that anybody would have thought that Mr. Amery would put on sack-cloth-and-ashes, as a sign of his repentance for all his neglect of and indifference to the situation which has arisen. Mr. Amery, however, is not of that type. He still remains the same unrepentant Mr. Amery, and whenever he makes a speech, either inside or outside the House of Commons, he plainly shows how he still has no sympathy with the events that are happening in what is purported to be, if not a Dominion, at least next to Dominion and one of the most important members of the United Nations, namely, India. He has been shifting his ground now and then, but the main positions he has taken up are as under. The famine conditions are brought about by Provincial administrations being handed over to popular ministers! It is easily forgotten that the popular ministries went out of power over two years back and how far they were popular ministries were seen in the actions taken by the Governors of Sind and Bengal with regard to them. There is an implication, however, in Mr. Amery's statements that the Indian administration, wherever it is, is responsible for these occurrences, again forgetful of the fact that even under the Government of India Act of 1935, it is the Governors, who are all non-Indians, who are responsible for all these catastrophic events, and that it is no use taking away the powers from the popular Ministries on the one hand and on the other abusing the Indian administration, even while it is not there, for the acts of omission and commission of the non-Indian Governors. Another stunt which Mr. Amery has got out is that the acuteness of the food problem has been due to the increase in the population. Now in the face of this calamity which we are having, Mr. Amery has the hardihood to say that the increase in the population is responsible for the famine conditions, implying perhaps that unless some few lakhs of people die, famine conditions will not be removed. Mr. Amery mentions also poor rice crops in Bengal, loss of Burma imports and specially the withholding by peasant producers and "doubtless some merchants hoarding coupled with clashes of provincial and national interests and some local failures of administration." It is with the deepest regret that I see as one of the causes adduced the so-called hoarding by agriculturists. People who say this show themselves as complete ignoramuses with regard to the economy of the country. In the first place, mil-

lions of peasants, who are now suffering, have not all been peasant proprietors; a large number of peasant proprietors, on the other hand, as soon as they gather their crops have to keep by some little food for the maintenance of their families upto the period when they get the new crop in. It is this economic hopelessness and helplessness of the agriculturists which has upto now been almost the theme of protests and dissertations by eminent statesmen and leaders of the country beginning from Maharshi Dadabhoy Naoroji. The Government of India, however, have remained always indifferent, and now they charge the Indian peasants with being hoarders. The mentality of an average member of the House of Commons can best be illustrated by questions like the one which Lady Astor put: "Will Mr. Amery make it clear to the world that this awful situation is not the fault of the British Government"? Mr. Amery suavely replied that it is the statutory responsibility of the Provincial Governments where these Governments have employed self-governing ministries. How far political dishonesty can go may well be illustrated by these questions and answers. The British people, apparently, are kept in ignorance of the fact that the so-called self-governing ministries are existing only in six provinces at present and there too under the entire suffrage of the Governors. These provincial ministries enjoy no powers and the Governors can bring them in or drive them out when they like to do so. It is a misnomer to call these ministries popular ministries, so long as the men who represent the people are kept under lock and key. Even now the Government of India have got it in their hands to show as to which section or which party enjoys the fullest confidence of the people. They will not, however, take up the challenge, and have lengthened the life of the Central Legislature for more than seven years. Similarly, with regard to the provincial ministries, they have been kept going only by keeping popular representatives of the people in detention. The truth of the matter is that the Central Government, who were able to enforce their numerous Ordinances upon the provinces, plead their powerlessness to take the provinces with them in any policy of control with regard to food.

Your Committee had recently an occasion to meet the Honourable the Food Member, who was understood to say that there were certain provinces where if there was any attempt at getting the hoards out there might be bloodshed. While we are surrounded on all sides by depressing circumstances, it is something that countries like Australia have shown a commendable sympathy of heart and a quickness of decision by offering to send large quantities of wheat to this country. There have been insistent demands from sympathetic members of Parliament and politicians and others in England that Great

Britain, Canada, Australia, etc. should send out ship-loads of foodgrains to India. It shows a realization and appreciation of the real Indian situation, which people like Mr. Amery do not evince.

Bombay has risen to her usual height of generosity and philanthrophy by sending lakhs of rupees to the stricken Bengal. I hope, however, that we shall not commit the grievous mistake of considering all this sufficient and complacently think that Calcutta and Bengal have been saved. No amount of money, to my mind, will save Bengal from her present harrowing situation, unless large and satisfactory quantities of food supplies are made available. Money is necessary, but more necessary is food, and still more necessary, if I may so put it, is the milk of human kindness. Unfortunately, it is in this quality that our rulers have shown themselves lacking the most at the present times. I have referred to these various statements and speeches made by Mr. Amery which are all devoid of sympathy and which merely reiterate the usual abuse of India and her people and the usual contempt. I am extremely sorry that Lord Linlithgow had not even a word of sympathy, before he left, with the woes and sufferings of Bengal, nor did he happen to realize that 10,000 deaths per week were going on in Calcutta and the districts round about.

I should like to acknowledge, with a feeling of thankfulness, the order recently issued by H. E. the Commander-in-Chief that the new troops coming into India should not be an additional burden on the food supply situation of the country. I should also like to acknowledge the various steps taken by the Government of Bombay to meet the present situation. There may have been mistakes, but behind all the steps taken, I see that there is a genuine regard and feeling for the people. It is a great thing to come across statesmanlike and large-hearted measures in times when there is a dearth of these like the dearth of foodstuffs in Bengal. The rationing is going on fairly well in the City and before long we shall have rationing introduced in the chief cities like Ahmedabad and Surat, etc. No one can be fond of rationing; I myself was not over-fond of it and perhaps even now I am not fond of it, but it seemed to me and it seems even now to me, to be the only alternative left for saving the people in cities from the catastrophe which has visited Bengal. At the same time I would like to say a word of caution that unless adequate food stocks are kept also in the rural areas of the province, a catastrophe greater than that in Bengal is bound to visit even this province.

Government and their officials have got a happy knack of obstinately clinging to their own pet theories and views and

are not generally moved or swayed by anything that public institutions may say or write about. Thus, the entire prohibition of export of foodstuffs is being demanded practically by all responsible institutions in the country ever since the trouble started in Bengal. Every time we were met by an array of figures and statistics going to show how our exports were below normal, that the country was in a position to stand such exports; that we had our commitments to our neighbours and friendly powers, and so on and so forth. Our oft-repeated warnings came to nothing; but now it appears from a statement made by the Hon'ble the Food Member that the export of foodstuffs is to be stopped entirely, with one exception which is that Government will allow in future the export of small quantity of foodgrains for provisioning ships sailing from Indian ports and for the use of Indian seamen of the merchant navy within the confines of the Indian Ocean, as also small quantity for the use of vital personnel of our Air lines or communication in neighbouring countries who cannot obtain sustenance except from us. The total quantities involved in this exception will be less than 1,000 tons a month, at least so assured the Honourable Sir Jawla Prasad Shrivastava. I hope that this exception will not be over-strained. Before I conclude this portion of my speech, I should like to endorse the suggestion of Sir Purshotamdas Thakurdas regarding the circulation of the article written by Mahatma Gandhi in the *Harijan* of the 25th January 1942. Mahatmaji has given in his article various instructions entering into details in his usual characteristic manner, about diet to be adotped, in these times, changing the diet if necessary, growing more food, what food and how much is necessary for the system, etc.

Mr. Amery speaking the other day at Birmingham was frank enough to say " we have become used to the thought of whole population suffering starvation in countries occupied by our enemies, but it has come to us as profoundly disquietingly shocking that anything of the kind should be possible anywhere under the British flag or that people should be dying of hunger in the streets of the Empire's second city." This realization by Mr. Amery of the situation in Bengal is refreshing indeed, and I hope he will now proceed further and place all the resources of His Majesty's Government for removing this blot from the British administration. The *Daily News*, London, with a commendable outspokenness says that the truth is that the British Government, the Government of India and the Bengal Government share this responsibility and all must share the blame. There are, perhaps, critics still, who consider that the sufferings of the people of Bengal " are being overdramatized," as the Hon'ble Sir Jagdish Prasad put it. His

answer to them is that they should pay a visit to the Province of Bengal; they will then cease talking platitudes. He suggested that His Excellency the Viceroy and Members of his Council should visit Bengal and see for themselves how acute was the distress in the province—a suggestion which could have been acted upon long before. The ex-Viceroy did not do it. I am glad that His Excellency Lord Wavell has paid a personal visit to the affected areas and is showing his anxiety to get the problem tackled in an energetic manner. We have recently made a suggestion that an *ad hoc* Committee of non-official businessmen and economists, with certain officials to give them the required figures, statistics and other information should be appointed and be given, if need be, statutory powers to deal with the whole question. I should also like to support the suggestion made by Sir Wardlaw Milne in the House of Commons that the Government of India should set up an enquiry into the causes of this calamity.

Political Situation

The political situation remains the same as it has been for months past. It has come to be known as the deadlock, and the Indian political deadlock has not been solved still. India's few friends in the House of Commons put forward interpellations, evincing their anxiety regarding the day-to-day situation in this country. Unfortunately, the Secretary of State has remained as inscrutable as ever, and has not been tired of repeating the stock phrases, which are now pretty well known to all of us. Even the ex-Viceroy, Lord Linlithgow made it a condition that the revered political leaders of the country would be released only when they recanted and withdrew the Resolution of 8th August 1942, and gave no hopes for any solution till, again, the Hindus and the Muslims had their own settlement. It is physically impossible for the political leaders to have any withdrawal or reconsideration or recantation till they are given an opportunity to meet each other, as also to study the situation in the country; and the same is the case with the settlement as between the Hindus and the Muslims. Not only that, but, as days pass and further and further light is thrown on the events which happened last year, it has been fully proved—it was not the Indians who wanted a proof, but the ruling authorities—that Mahatmaji was thoroughly misrepresented, caricatured and vilified in being portrayed as a pro-Japanese and an anti-Allied man. He and the Members of the Working Committee and the different Prime Ministers and Ministers of the Provinces, who are all in detention, should be given an opportunity to meet and exchange views, if not for anything else, at least in view of the new situation which has arisen. I feel quite sure that it will be found that there was

an entire misrepresentation and misunderstanding of their views and sentiments and feelings and that their meeting would pave the way for an understanding not only between the authorities and the biggest and most influential party in the country, but also between the Hindus and the Mussalmans. Lesser lights in British political life have taken their cue from Mr. Churchill and Mr. Amery, and men like the Minister of Information, Mr. Brenden Bracken began to speak of India in cold storage. This line of reasoning has not certainly been, evidently, to the approval of the new Viceroy, whom I take this opportunity of welcoming to this country to take up the highest post under the Crown. Speaking at a Pilgrims' Lunch given in his honour in London, he said that he realized the great weight of opinion both in London and in India in favour of loosening, as early as possible, the present deadlock and also the difficulty of doing so. If India had been placed in cold storage, as Mr. Brenden Bracken evidently wanted to, His Excellency Viscount Wavell would not have expressed such sentiments. He paid a very high compliment to India's troops and referred to the severe strain on this country. Many of us are, however, disappointed that His Excellency has not, after his arrival in this country, still opened his handbag and let us know the contents which he is carrying in the same. I admit that he must take his own time to study the situation—difficult and delicate situation—in the country. He, however, showed the contents of his mental hand-bag, which is even more important than the physical hand-bag, one of which was a real love for India and sympathy for the Indians. I deem it vitally essential that His Excellency should lose no time to loosen the present deadlock and to reach a solution of the Indian impasse. Upon the right solution of this problem depends the solution of the catastrophic problem which is facing India at present, i.e. the problem of starvation of lakhs of people, as also the solution of placing India in the best position to fight the enemy on the East. A soldier of the reputation of Viscount Wavell does not need to be told that there are war fronts as well as home fronts and of these specially the home front is as vital and important as the war front. Only if that is so a satisfied, free and liberated people will be a great and invaluable asset to the Government and then again these people require a satisfactory food position for themselves and their families, as otherwise it will ruin the morale of the country at large. Lord Linlithgow, about whom great hopes were entertained, has left the country dejected and dispirited, and it is now for His Excellency Viscount Wavell to take such steps as will remove this frustration and make India an able and valued member of the United Nations.

I am glad that His Highness the Jam Saheb, Chancellor of the Chamber of Princes, emphasized at a recent meeting that the Princes were as much in earnest about equality of Indians Overseas as the people. He observed :

> " South Africa is now regarded as a test case. And those elements in India who, like ourselves, believe sincerely in the continuance of the British connection, must feel embarrassed if, in spite of India's signal services to the Commonwealth in the present war in Africa and elsewhere, the membership of the Commonwealth does not carry with it equality of status throughout the Commonwealth of His Majesty the King Emperor."

That this equality of status has yet to come is known to all, excepting a few people. It would come very soon if men like His Highness, instead of merely repeating their faith in certain slogans regarding the Commonwealth every time, were to make it clear that they would have no faith in the Commonwealth without a perfect equality of status.

The presence of General Smuts in Great Britain and his speeches with their vague implications, make us rather nervous about the future. General Smuts always talks loud about principles, but when it comes to the actual working of these principles in practice, he gets away. In one of his speeches recently in London he observed that the Atlantic Charter already contains a sketch of our future blue-print of security. The Atlantic Charter might have contained a blue-print for European races and white people, but, so far as we know, upto now there is no blue-print of security for us Indians in the same.

Before I close this paragraph with regard to the political situation of the country, I shall be failing in my duty if I do not refer to the two new Ordinances issued by the Government of India. We have already got so many Ordinances issued time after time, that the issue of a new Ordinance or two does not come as a surprise and does not, perhaps, evoke a protest, which ordinarily it should have. There is a feeling of hopelessness about all these protests; and yet we have to discharge our duty, which is to interpret to the powers-that-be the feelings of the people in general and businessmen in particular. The first of the new Ordinance is known as the " Subversive activities " Ordinance. There are no two opinions in the country with regard to the condemnation of subversive activities or subversive writings; but we consider that there is a sufficient machinery in the land already to tackle the situation when it arises. The new Ordinance is evidently mainly concerned with sentences and lays down transportation for life and imprisonment which may extend to ten years for any such acts

as are referred to in the Ordinance as subversive acts. It goes so far as to lay down that anyone who has in his possession any document containing any subversive matters shall be punishable with a maximum imprisonment of ten years. The State has already got powers to proceed against people guilty of subversive activities and to add to the armoury in their possession of legal weapons, is merely to upset the public needlessly and to create a feeling of protest where it was not required. The laying down of these very heavy sentences is not the best means of curbing down subversive activities. These can rather be better curbed down and even weeded out by following a policy of conciliation, confidence and trust. Another Ordinance authorizes the trial of certain offences by Military Courts. While I admit that certain measures are necessary for dealing with the situation as it may develop from time to time in areas contiguous to enemy-occupied territory, the setting up of Military Courts is practically tantamount to Martial Law, with regard to which the people naturally are very nervous. There is no reason why it should have been thought that the situation had arisen where the ordinary police and the ordinary criminal law jurisdiction would not be able to tackle with it. It is just because the situation in areas contiguous to enemy-occupied territory is likely to be difficult, delicate and dangerous, that Government should move cautiously. Setting up of Martial Law, as practically Military Courts will be tantamount to, may not prove to be the best means for meeting the situation. We all want that the situation, whether it arises in the form of subversive activities or whether it arises in any other form in areas contiguous to enemy-occupied territory must be met with; but the steps to be taken for the purpose, should not err on the side of extreme severity or panic. So many Ordinances have been issued of a far-reaching character during all these years, that the people now want a respite and a rest. There will be no necessity for these Ordinances if a feeling of trust and confidence, and security and peace, is created in the public mind.

South East Asia Command

The creation of the South East Asia Command and the appointment of Lord Louis Mountbatten naturally lead to the expectation that the tempo of the war in the East particularly on the Burma border and in South Eastern Asia would heighten. India is naturally interested in this development for more reasons than one. I have no desire, for obvious reasons, to enter into any discussion or examination of the military and strategic aspects of these developments. At the same time, we must take note of the economic and financial implications of the move and bring to the notice of the authorities our fears

and misgivings so that timely action may be taken to reassure the public and to ensure that India is not saddled, by virtue of these operations, with economic and financial burdens of an unduly heavy character. At the outset, I must give expression to the general feeling that there is much that is nebulous about the existing financial arrangements between the Allied countries, more particularly between India and the United Kingdom, regarding the sharing of expenditure in connection with the present war. I know Government spokesmen in this country swear by the financial settlement between His Majesty's Government and the Government of India negotiated in November 1939 under which this country is to pay (a) a fixed annual sum representing the normal net effective cost of the army under peace conditions; (b) a sum in adjustment for rise in prices; (c) the cost of Indian war measures as can be regarded as purely Indian liabilities by reason of their having been undertaken by India in her own interests; and (d) the contribution of a sum of one crore of rupees per annum on account of external defence. *Prima facie* the arrangement may appear fair and equitable, but subsequent developments have clearly demonstrated that terms like " Indian war measures ", " measures in India's own interests ", etc. are susceptible of varied interpretation and the whole arrangement is so elastic as to cover all kinds of expenditure incurred in India even if demonstrably not in her own exclusive interest. The position, however, was not allowed to rest at that. The sterling balances which India was accumulating became an eyesore to British vested interests and there was a regular clamour for a revision of the financial settlement and it was freely being insinuated that these balances had accrued because of India not bearing her full share of the war expenditure and because of a large proportion of India's own defence expenditure being met by the U.K. The result was that although no actual modification of the basis of allocation was proposed, a new theory of " joint war measures " was enunciated and under this concept India would be called upon to pay a share, presumably on a 50 : 50 basis in all joint war measures *in* India. The whole thing boils down to this that if the financial arrangement is what it was explained to be by the Hon'ble the Finance Member at the last Budget session of the Central Legislature, then India could be called upon to bear a good share of the expenditure incidental to the creation of the East Asia Command and the operations connected therewith. We cannot accept that position with any sense of equanimity. These operations may be expected to be of an amphibious character and would involve us indeed in the expenditure of a colossal amount. It is puerile to suggest that these operations are designed mainly and fundamentally for the future interests of India. They are but part of inter-

allied plans based on a global strategy which were framed, put into shape and decided at the Conference in Quebec in which India or her spokesmen had no part or lot. It is, therefore, of the utmost importance that the Government of India should lose no time in representing to His Majesty's Government that this country should not be called upon to bear any part of the expenditure or other burdens of a financial character consequent upon the creation of the new Command. India can ill afford to bear any increase in the burdens on account of the war. This is more so at a juncture like the present when her internal economy is showing signs of disintegration and when economic distress of a sweeping character is making itself definitely felt in different parts of the country.

Equally important is the question of the repercussions of the new activities on the internal economy of the country and on its supply position. It is conceivable that expenditure on a large scale would have to be incurred in the plans, preparations and activities connected with this Command. We are already suffering from an acute shortage of consumers' goods which has in its turn accentuated the inflationary progress. If India is expected to meet the supply requirements involved in these developments, the same would be too great a strain on the country and would intensify the general shortage adding to the travails of the civilian population. It is, therefore, of great importance that arrangements should be made to ensure that the supply requirements of the Command are met from other sources. Again if the disbursements of the Command are to be financed in Rupees by the Government of India against sterling payments made in London, the inevitable increase in the note circulation here and the consequent aggravation in the inflationary position cannot but do serious harm to the economic fabric of the country as a whole. As it is the note circulation has increased by more than four times from 179 crores before the war to over 776 crores. Even in Germany where Government is supposed to be financing the war merely by the use of the printing press, the currency expansion is less than three times, from 8,700 million R.M. to 23,052 million R.M. (in November 1942). These factors have to be guarded against and it is of the utmost importance that the Government of India should give due consideration to the economic and financial implications of this new Command and make timely and energetic representations to His Majesty's Government and other allied Governments with a view to see that the country is not saddled with burdens or demands for goods or services to an extent which she cannot bear or meet.

Speech of Mr. Pranlal Devkaran Nanjee, Vice-President of the Indian Merchants' Chamber at the Third Quarterly General Meeting of the Chamber, on 4th November 1943.

MR. PRESIDENT AND GENTLEMEN,

The President in his able speech has dealt with some of the very prominent questions engaging our attention today. I shall offer a few remarks on some other questions of topical interest.

CIVIL AVIATION

The problem of the development of post-war civil aviation and the place of India therein are matters of supreme and vital importance to this country, and they, therefore, deserve our most vigilant and serious attention. It was announced by Sir Archibald Sinclair in the House of Commons on the 11th March last that:

> "in the view of His Majesty's Government some form of international collaboration will be essential if the air is to be developed in the interests of mankind as a whole, trade served, international understanding fostered and some measure of international security gained."

He added that the exploratory work in connection with post-war civil aviation was going on and that His Majesty's Government were in preliminary consultation with the Dominions and India in connection therewith.

It is, however, our sad experience that serious commitments are often made by the Government of India during the so-called exploratory talks. It was, therefore, necessary for us to know the nature of the consultations that were going on between India and England in this matter. As has, however, been the practice and policy of the Government of India in all matters of fundamental and vital concern to this country, they refused to disclose the nature of these communications on the plea that they were of a provisional nature. It was urged that the Government should consult the Indian public and Indian commercial bodies on the subject of the formulation of a post-war Empire aviation policy, but the only response which they could obtain from the Government spokesmen in the Legislature was that "such consultation will take place at a suitable stage if Government consider it necessary to do so." It is difficult to criticize with restraint such a policy of isolation in matters which vitally concern the Indian people, and I need not add that this policy is in sharp contrast with what is being done by Governments of other countries in this connection.

The exploratory stage, however, has passed long since and as you all know, an Empire Air Conference was recently held

in London. Although Indian commercial opinion has emphasized again and again the necessity of sending non-official Indians enjoying the confidence of the Indian public to such Imperial or International Conferences, it is to be deeply deplored that not only did the Government evade answering the question put to them in the Central Legislature last July as to whether the Delegation to the Empire Air Conference would include representatives of the Indian commercial and industrial interests, but they also, as a matter of fact, did not send any non-official representative to the Conference mentioned above which, I understand, from a recent cable, has already concluded its sittings. While the Government are anxious to secure the co-operation and collaboration of various parts of the British Commonwealth, as well as of different important countries in the world, in connection with the development of post-war civil aviation, it is a pity that they do not care to seek such co-operation and collaboration of their own people, and even fail to consult them in matters which are of serious concern to this country. It might be argued that only officials or only experts were present at the recent Air Conference held in London. Constitutional propriety or constitutional precedent should not be flung at us and should not be advanced as excuses, for depriving India of its proper representation at such Conferences, as experience has brought home to us, the undeniable truth that where the interests of Great Britain are in conflict with the interests of India, the Government of India have proved helpless to protect the interests of this country—not to say anything about advancing them—at such international gatherings.

Now that the Empire Air Conference is over, I would ask, as earnestly as I can, this Chamber as well as other commercial Associations, to urge upon the Government the necessity of placing the broad conclusions of those deliberations before the Indian public and tell them plainly not to take any further step or commit themselves to any policy in this matter unless full opportunities have been given to the people of this country of having their say in connection with this important problem. This is the least which, I have no doubt you will agree with me, the Government should do and do immediately if they are not to fail in their duty towards the people of this land.

In a recent editorial the *Times* of London remarked that:

> " the ultimate and overshadowing purpose is to ensure that after the war aviation shall develop in an orderly and fruitful fashion and shall not be an instrument of international animosity or national domination."

Our real problem is to ensure that there shall be no British domination hereafter, as it has been in the past, in the field

of civil aviation of India. We must all be vigilant to see that the Government of India may not again surrender their judgment and accept the proposal of the British civil aviation interests, and grant them the major share of the capital as they did in the past, despite universal opposition in the country, when they accepted the proposal of the Imperial Airways and gave them 51 per cent of the capital in the Indian Trans-Continental Airways. We have also to guard ourselves against the repetition of such scandals as the conclusion of an Agreement for the operation of the Empire Air Mail Scheme for a period of 15 years with the Imperial Airways—an agreement which was to cost India over Rs. 20 lakhs per year—without any discussion in the Legislature, and without giving the commercial community and the public any opportunity to express their views on such a vital matter. I need not add that even in such an Agreement India was denied the right to participate in the sea-plane services. This Agreement has been practically inoperative during the war, and we must urge upon the Government of India with all the emphasis at our command, that such new agreements should be made after the war as would fully safeguard our national interests and fully ensure the realization of our national aspirations in the field both of national and international civil aviation.

We have recently been hearing a lot about " freedom of the air ". This freedom of the air cannot violate the principle of cabotage which means that only national companies shall carry passengers between any two places in their own country. As observed by the *London Economist* in a recent issue :

> " Each nation would be free to reserve to itself its own purely internal traffic, on the analogy of coast-wise shipping, but international traffic, i.e. traffic between ports of one nationality and those of another would be free to all and aircraft of all nations would be admitted in such of this traffic, to the air ports of all nations. British air craft for example, would be free to fly across the United States on their way to Australia; they would not be free to carry passengers between New York and San Francisco, or San Francisco and Hawaii."

What India demands is nothing more than that. So far as the internal civil aviation traffic is concerned, it should be carried only by companies which are owned, controlled and managed by the nationals of the country, and the Government of India will have not only to recognize this universal demand in India, but they will have to see that they will take no steps to create new British or other outside interests in the field of civil aviation of this country.

Indian Shipping

It is a strange irony of fate that, whereas British Dominion Governments are taking the maximum advantage of the war situation by developing their industries and consolidating their economic position, the Government of India are not only shirking their responsibility and neglecting the present opportunity for the mobilization of national resources and strengthening of India's economic life, but are also pushing forward the reactionary policy which is endangering the very existence of some of our industries established after severe trials and severe tribulations. As is recorded in the October issue of the *Austral News*, published by the Australian Government Trade Commissioner in India, thirty fast steamships designed for the interstate and island trade with tonnages ranging from 2,000 to 6,000 tons are to be built in Australian shipyards and the building programme would cost approximately £14,000,000. It is further recorded that when the programme would be in full swing, construction of the new vessels in addition to repairs and maintenance work would provide employment in the shipbuilding industry for 15,000 men. Canada, which could hardly build 1,200 tons of shipping in 1938, has made such rapid progress in her ship-building industry during the war that in addition to corvettes and protecting craft, she would be building about 900,000 tons of merchant shipping this year, that is to say, she would build approximately the same number of merchant ships as Great Britain herself. Witness, however, the coantrast in this country. The Government of India have done nothing to encourage the building of ocean-going ships in Indian yards. Indian shipping companies, it is reported, have lost many of their ships. There is a great dearth of shipping all along the coast and our transport system has almost broken down. What a boon it would have been to this country and its people had the Government of India, at least during the war, realizing the imperative need of ships all round, helped and not hindered the Indian enterprise in building ships in this country!

The policy under which ships on the Indian Register have been requisitioned by the Government of India and the measures of control, restrictions and licensing which have been adopted in connection therewith will vitally cripple the resources and staying power of that shipping and will make it almost impossible for it after the cessation of hostilities to face and withstand the competition of British or foreign combines. Your Committee recently had an occasion to protest against the withdrawal of a vessel called the "San Francisco Xavier" plying between Bombay and Konkan. Bombay, as you are all aware, is largely dependent for its labour on Ratnagiri and Konkan districts and the sea-route between Bombay and these two districts is the

cheapest route for transport. The facilities utilized by hundreds of thousands of passengers every year were drastically curtailed, when out of eleven ships originally plying on this line nine ships were requisitioned. There is further curtailment in these facilities by the withdrawal of the " Xavier ", which has aggravated the situation. Government have totally disregarded the needs of the passengers and the requirements of the various industries of Bombay for which labour is drafted from the above districts. The reply of Government that the vessel will be returned to her original employment as soon as she can be released from her present work, is extremely unsatisfactory. In view of the importance of this service, the public opinion is strongly against such requisitioning and it is understood that the Government of Bombay, who are charged with the responsibility of properly maintaining the provincial transport systems, have repeatedly demanded that more vessels should be employed on this line; but it is deeply regrettable that the Central Government have neither paid any heed to the public opinion nor to the demand of the Government of Bombay.

The recent Order of Government issued in the name of unified and central control by which licences have to be taken out for ships on Indian Register for their employment is an addition to the long list of unfair and discriminatory orders hitherto promulgated by Government. As they gave us clearly to understand the main object of the appointment of an Indian Shipping Adviser was to ensure that the Indian companies would be able to carry cargo in the coastal trade according to their quota. It is very unfortunate that not only this object has not been achieved, but Government have now adopted a very unfair and discriminatory measure which will adversely affect the Indian shipping companies. The British Ministry of War Transport, who control the movements of ships on British Register, give every active assistance to British shipping companies not only to make up their quota deficiencies but even to dominate more than before the coastal trade of India, while the interests of the Indian shipping companies are sacrificed. Thus the trade that is the due share of the Indian companies is allowed to be passed into the hands of the British shipping companies and all the time either the Government of India do not act or feel helpless in standing by National Shipping. In order, therefore, to prevent any permanent harm being done to Indian interests, it is necessary that the Government should bring under their direct control all ships plying in Indian waters and if there is any objection on the part of the British Ministry of War Transport to allow their doing so, the Government of India should tell them plainly that if they allowed these ships to mint tons of money during times of peace, they cannot allow them to act as they like during times of war. You will be

glad to learn that your Committee have addressed a telegram to the Government of India on this subject and I hope that this will at least give them an opportunity to mend matters to some extent and do some justice to national shipping before it is too late.

Planning of Road Transport

My predecessors in this office had discussed from time to time the backward position of this country *vis-a-vis* Road transport and the inevitable consequences that followed as a result of this on the economy of our country. These results, however, were never so disastrous to our well-being as they have been during war time, when the major capacity of Railways is switched on to military and war requirements. Much of our troubles regarding scarcity of different articles which we experience today and regarding which your Committee had to write so often, during recent years, would have been minimized if the Provincial and State authorities had given due and timely importance to the development of road transport in India. If the woeful history of road transport in India during the last decade is to be traced, it would be found that from the time when the Central Road Development Fund was created in 1929, which made available a small portion of the Petrol Tax for the construction and improvement of roads, hopes were entertained that it would mark the beginning of a real effort to provide India with an efficient and adequate net-work of roads. But unfortunately our experience has been that some Provincial Governments, instead of utilizing the fund to supplement their expenditure on road development, merely used it to replace the revenue previously spent on this account by them. Today, India, with her vast geographical expanse and with a population of nearly 400 millions, possesses hardly 65,000 miles of metalled roads, about 20,000 miles of track which is motorable and nearly 20,000 miles which are used only in certain seasons of the year. An idea of how far we fall short of the facilities available to advanced countries may be gathered from the fact that whereas India has one mile of road for every three square miles, Great Britain and France have a mile for every half a square mile and the U.S.A. a mile for every square mile. The economic loss, therefore, due to want of adequate road transport is enormous in a country, which is predominantly agricultural, where marketing of production from fields to the consuming centres is the chief problem. In the absence of efficient and adequate road transport, the cost of the commodity to the consuming centre is more than can justifiably be levied, as a result of which the commodities either remain at the centres where they were produced or sold at prices which are sometimes prohibitive. The Bombay Economic Survey Committee,

which published their report some time back, very succinctly described this woeful situation, when they observed that " from the point of view of building up of markets and of industrial mobility in general, different centres of consumption and production should be connected by reasonable transport facilities with one another; this condition is not fulfilled in the case of this Province." The Committee further remarked that several districts—as many as 40 to 75 per cent—were not served by roads and nearly 80 per cent of them were totally cut off from outside communication during the monsoon.

In a post-war period, the situation will be still more acute if the Government of India and the Provincial Governments will not take adequate measures and prepare plans right from now for spreading a net-work of roads in the country. I have read a statement in this connection made by the Honourable Sir Jwala Prasad that the technical experts of the Government of India have evolved a skeleton plan for the post-war development of roads, and I hope it will be such as would meet with the requirements of the country, for, situated as we are in a vast territory, the convenience, elasticity and economic advantages of motor transport, which means road transport, have already substantially altered the conditions of life in many parts of the country; the potential value of road transport is immense and is bound to be greater still in the post-war period.

Your Committee had also to discuss the transport problem of the City. The number of trams and buses running in Bombay has been found to be inadequate to cope with the increased traffic of passengers due to an increase in the population of the City. The Committee, in their reply to the Bombay Electric Supply & Tramway Company's memorandum on staggering of hours of work in offices and commercial houses, suggested to the Government of Bombay to request the Central Government to release some vehicles to the BEST company under Lend-Lease arrangement and thus increase the fleet of buses. We hope that the transport problem in the City will be easier in the near future as a result of the discussions that are going on between Government and representatives of Commercial Institutions.

Post-War Reconstruction of Burma

A problem, which deserves our serious consideration, is the question of the status, position and rights of Indians in the post-war reconstructed Burma. As you know very well, Burma was a part of India before it was separated from our Country in 1937. Indian enterprise, Indian talent, Indian labour and Indian trade and commerce have made a tremendously large

contribution to the economic life and prosperity of Burma, when it was a part of India, and they were playing their part for developing the economic life of that country to the mutual benefit of Indians and Burmans even after that country ceased to be a part of India. The manner in which it was proposed to deprive Indians of their just rights to enter and leave Burma, as they did before, under the proposed policy of immigration, which the Government of Burma desired to put into operation in the latter part of 1941, gave rise, as you know, to a universal protest against that policy in this country. The circumstances under which the Burma Rice Control Order was proposed to be promulgated, and the serious manner in which it would have deprived the Indian merchants of their rights of trading in and exporting rice, reminded us rather rudely how forces of reaction were gathering strength in that country. Several measures, which were enacted by the Government of Burma affecting seriously the position of the large Chettiyar community holding thousands of acres of land in that country, militated against the efforts of our nationals to promote friendly feelings and true harmony, as citizens sharing common heritage, working together for making Burma a land of peace, plenty and prosperity. We are, therefore, very naturally anxious to see that such measures are not adopted against our nationals in a post-war reconstructed Burma, and that effective steps are taken by the Government of India to ensure, as demanded by the Indian public opinion, and as observed the other day by the Honourable Dr. Khare, Overseas Member, that the position, status, and rights of Indians in a post-war reconstructed Burma should be the same as those of Britishers or the Americans or other non-Burmans.

It is a matter of some satisfaction that the Government of Burma have assured the Government of India that in such important matters as Indian immigration into Burma and future trade relations between the two countries, it is their intention not only to consult the opinion of Burma Indians but also to take account of the Indian public opinion and to enter into full discussion and negotiation with the Government of India before formulating proposals or submitting final views to the Secretary of State. It is also essential that not only should the Government of India consult fully the Indian commercial community and the Indian public in regard to the various issues that might arise in connection with these fundamental and vital matters, but they should also inspire the much-needed faith in the country that they would put up a just and firm fight, if necessary, for the maintenance and continuance of the just rights of Indians in this connection in that country. You are all aware that the Government of Burma

have been seriously formulating in this country their reconstruction plans for a post-war Burma, and that the services of non-official Europeans have been mobilized for that purpose. It is true that the Government of Burma have told the Government of India that they are fully conscious of the position, which Indians held in the economic life of that country, and that when the Burma Reconstruction Department is in a position to formulate concrete proposals, the Government of Burma would consult representative Burma Indians and representative Associations of such Indians and take their opinion freely into consideration before submitting final views or proposals to the Secretary of State for Burma. I would, however, like to emphasize in all earnestness the fact that Indians are vitally interested at all stages, in the consideration of such questions, as the immediate needs of the civil population on return to Burma, and in understanding the economic and social problems which will arise throughout the whole field of administration, and in the formulation of proposals which might be the basis in reconstructing the life of Burma. It was only some time back that the Reconstruction Adviser to the Government of Burma announced that

> " the reconstruction and expansion of her system of communications, her buildings and her industrial and commercial equipment would therefore be urgent tasks after the reoccupation."

Indians are vitally interested, as I observed above, at all stages, in the consideration of these problems. While I, therefore, appreciate the observation of that Adviser that the commercial and industrial development of the country by the Indians was of advantage to Burmese nationals, I am as anxious as he is, to apply our mind to the solution of the question as to how to retain the beneficient activities of the non-Burman enterprise and yet secure for Burmese nationals a progressive share of the control of the commerce and industry of Burma and the profits arising therefrom. This cannot, however, be done overnight. At all stages, therefore, in the consideration of all these questions of reconstruction, they should invite the co-operation and association of non-official Indians and I will, therefore, request the Government of India to represent to the Government of Burma, that, if they have sought the co-operation of the non-official European community in this matter, they should also recognize their responsibility of securing such co-operation of the Indian community, who have played an important part, in the economic life of Burma and her prosperity.

INDEX

	Report Page	Appendix Page
A		
Abyssinia—Indian Merchants in	103	477
Accounts—Trunk Telephone	27	188
Act—Indian Railways Amending	13	125
Anand—Booking of Tea from	17	144
B		
Banking—Acting as Trustees, etc.	47	255
B. B. & C. I. Rly.—Overcrowding in Mail ...	18	147
Bevin Training Scheme	104	482
Blue-Water Shipping—Under Commerce Department	6	121
Bombay—Building accommodation in	106	480
Booking of Tobacco—Restrictions on ...	22	157
Budget of the Government of India, 1943-44 ...	31	190
Burma—Census of evacuees from	104	494
C		
Cargo in the Docks—Free days allowed for Storage	12	177
Carriage of Goods—Country-craft Monopoly ...	10	137
Cattle—Prime—Slaughter of	99	466
Ceylon—Recruitment of labour for	59	293
Cheese—Booking—Tariff Rates for	27	171
Chemicals—Preferential treatment—Booking by Railways	21	187
Claims—Settlement of Ships requisitioned ...	6	124
Classification of Textile goods—Trade Marks Act	58	288
Cloves—Import from Zanzibar	83	406
Coal—Export of	78	392
Coal—Provincial priority for	79	393
Coal Distribution—Duties & Functions of Controller	77	387
Cochin State E. P. T.—Income in British India ...	45	251

	Report Page	Appendix Page
Coins—Shortage of	105	485
Companies Act, 1913—Inspection of Companies...	56	284
Companies Act, 1913—Amendment of Section 277(I)	55	282
Computation of Capital—Rules under E. P. T. ...	43	236
Conference—Empire Air	28	183
Control on British & Indian Registers—Shipping	4	117
Control of Capital Issues—Under E. P. T. ...	44	238
Control Order, 1943—Cotton Cloth & Yarn ...	63	343
Control over Shipping Registers—Unified Control on British and Indian	4	117
Co-operative Societies—Income-tax exemption from	38	223
Cotton Cloth & Yarn Control Order, 1943 ...	63	343
Cotton from Sind—Movement of	25	175
Cotton stored in Open Jathas—Insurance premium for	50	271
Cotton Waste—Import of, from upcountry ...	83	402
Country-craft—Grant of Monopoly—Carriage of Goods	10	137
Country-craft Insurance	51	273
Country of origin—Indian Merchandise Marks Act	57	286
Currency Plans—Post-War International ...	32	193

D

Dates, Dry fruits, etc.—Booking of	23	158
Delegates—Indian—U. K. & U. S. A.	102	475
Depreciation Allowance—increase	39	231
Depreciation on Gas Plant	39	233
Diesel oil—Stoppage of Electric Supply and ...	75	383
Diksal Station—Wagons for Transport of Oil ...	22	172
Disablement Policies	37	227
Disturbances in the City—Remission of Docks Extra fees	13	
Diversion of Steamers destined for Bombay ...	11	
Doubly-taxed Income—Relief against ...	38	224
Drugs (Census) Order, 1941	66	351
Drugs Prices—Control of	66	352

	Report Page	Appendix Page
Drums—Oil—Transhipment of	17	145
Dyes—Import Control on	80	396
Dyes—Quota for Indians from Burma ...	82	400

E

Electrical energy—Supply of—at Panvel ...	74	381
Electrical energy—Supply at Amalner ...	76	385
Embezzlement or theft	40	234
Empire Air Conference	28	183
E. P. T.—Computation of Capital Rules ...	43	236
E. P. T.—Allowance on Borrowed Capital ...	44	249
E. P. T.—Cochin State and Income in British India	45	251
E. P. T.—Set-off of deficiency	45	252
E. P. T. Ordinance—Control of Capital Issues ...	44	238
Exports from Bombay by sea route	12	139
Export of Tea from Bombay—by Rail, Road or Sea	16	142

F

Fast of—Mahatma Gandhi	90	423
Federation—Draft Resolutions at the 16th Session...	109	490
Finance Member—Observations in the Assembly ...	62	331
Fire-extinguishing appliances—Malkapur Station	20	155
Fire-Insurance—Surcharge on cotton bales ...	49	264
Food Commissioners—Appointment of—Regional	93	440
Food Department—Under the Control of War Transport Board	93	439
Foodgrains—Control on	92	438
Foodgrains—Orders relating the Control and Movement	95	446
Foodgrains—Supplies to Surat	97	460
Food requirements in Bombay	96	456
Food Situation in India	90	433
Food Supplies—Purchase of—under Government Scheme	94	444
Foodstuffs—Export by parcels to United Kingdom	89	418

	Report Page	Appendix Page
Foreign Insurance Companies doing business in India	47	255
Freezing and Requisitioning Orders	67	354
Frustrated Cargo—Legally purchased ...	70	361
Fuel Oil Rationing Committee	76	386
G		
Gas Plant—Depreciation on	39	233
Godowns—Representative on—Requisitioning by Government	70	363
Government of India—Budget for 1943–44 ...	31	190
Government Securities—Bill to Consolidate and Amend, etc.	54	276
Grossing up Dividends	37	221
Gur—Control on the export of	89	420
Guwar—Railway Classification of	26	180
H		
Hand-weaving Institute at Poona	80	395
Hedge Contracts—Restoration regarding Cotton ...	80	394
Hydroquinone—Consignment of—Requisitioned by Government	69	360
Hydrosulphite of Soda—Import licence for ...	82	401
I		
Income-tax—Insolvency and liquidation proceedings	35	228
Income-tax—Allowance of expenses for Trade Mark Registration	36	219
Income-tax—Life Assurance business	48	269
Income-tax Act—Allowance under Section 10 ...	36	217
Income-tax Appellate Tribunal—Decisions of ...	35	227
Income-tax—Exemptions from Co-operative Societies	38	223
Income-tax relief—Double—in India and Burma ...	39	230
Income-tax—Section 16 (3)—Income of a wife ...	40	248
Increased Depreciation Allowance	39	231
Indian Register—Licensing of Ships on ...	3	113

	Report Page	Appendix Page
Indian Sterling Stock—3½% Stock of 1931 ...	34	225
Indians in U. S. A.—Naturalization rights ...	103	477
Indian Stores Department—Invoices of Manufacturers	66	353
Inspection of Affairs of a Company ...	56	284
Insurance Companies—Non-acceptance of policies	46	253
Insurance Scheme—Difficulties under War Risks...	52	274
Interview with—The Supply Member Sir H. P. Mody	61	321
Interview with—Controller-General of Civil Supplies Mr. C. C. Desai	63	333
Interview with—Supply Commissioner Mr. A. D. Gorwala	90	449
Interview with—The Food Member	90	424
Interview with—Sir John Sheehy and Mr. C. W. Iyers	33	203
Interview with—The Commerce & Industries and Civil Supplies Member	61	294
Interview with—The Commerce Secretary Mr. N. R. Pillai	61	308
Invoices—Manufacturers'—Indian Stores Department	66	353
Iron Hoops—Theft from cotton bales ...	15	186
Iron & Steel—Control on—Relaxation over ...	72	375
Iron & Steel Control Order	73	376
J		
Jurors—Women, etc.	103	476
L		
Licensing of Ships on Indian Register ...	3	113
Linseed & Groundnuts—Transport arrangements for	23	161
LL.B. Examination—Exclusion of Company Law	108	489
Loss by Embezzlement or Theft	40	234
M		
Mahatma Gandhi—Fast	90	423

	Report Page	Appendix Page
Malkapur Station—Fire-extinguishing appliances at	20	155
Matches—Sale of—in Ahmedabad	74	290
Maximum weight of—Postal Parcels ...	28	173
Merchandise Marks Act—Country of Origin ...	57	286
Milk—Supply of	84	406
Mofussil Centres—Transport of Tea Packages by Rail	16	141
O		
Officers of the Government of India—Services in Foreign Countries	107	487
Oil—Transport of—to Diksal Station	22	172
Oil Drums—Restrictions on transport of ...	17	145
Oil Rationing Committee—Fuel	76	386
Oilseeds—Export of Non-essential	88	417
Oilseeds & Edible Oils—Export of	86	142
Over-assessment under Section 34—Provision for relief	40	247
Overcrowding in Mails—Through trains on B. B. & C. I. Rly.	18	147
P		
Paper—Despatch of—by Railways	25	160
Parle Products—Messrs.—Sugar requirements of	98	462
Pickers—Wire for Manufacturing, etc. ...	74	380
Piecegoods to Australia—Licences for export to ...	88	416
Piecegoods—Press-packed—Packing Conditions ...	16	140
Pipe Control Order	73	378
Postal Parcel—Export of articles of foodstuffs to United Kingdom	89	418
Postal Parcel—Inland—Maximum weight of ...	28	173
Post-War Currency Plans	32	193
Post-War Reconstruction—Transport Committee of	6	118
Profiteering Ordinance, 1943—Hoarding and—...	63	333
R		
Railway Act—Amending Bill—Indian Railways	13	125

	Report Page	Appendix Page
Rape seed, Cumin seed, etc.—Transport of ...	20	145
Rationing—Sugar and increase in	96	457
Reconstruction Committee—Transport Committee of Post-War	6	118
Registration of Trade Marks—Allowance of expenses under Income-tax	36	219
Relief against doubly-taxed income	38	224
Relief—Income-tax—India and Burma ...	39	230
Relief and Rehabilitation Administration—Draft Agreement	101	474
Retail Cloth Trade—Difficulties under ...	65	350
Rope-bound Cotton bales—Insurance tariff for ...	49	269

S

Shipping—Blue-Water under Commerce Department	6	121
Ships—Requisitioned—Settlement of Claims ...	6	124
Shuttle Manufacturing Industry—Assistance to ...	71	367
Sickness Insurance	47	256
Silks—Printed—Permission for exports to America	83	403
Slaughter of—Prime cattle in India	99	466
Small Coins—Shortage of	105	485
Soap—Restrictions on despatch of	25	159
South Africa—Import licences for goods to ...	83	404
Speeches of—at Quarterly Meetings—President and Vice-President		498
Staggering of hours—Trams & Buses ...	29	166
Steamer Service—Between Bombay and Vengurla...	8	168
Stone—Transport between Than and Sant Road ...	21	154
Storage of Cargo in Docks—Free days allowed ...	12	177
Strawboard from Meerut—Supply of wagons for Transport	21	165
S. S. San Francisco Xavier	7	122
Sugar—Rationing—Need for increase ...	96	457
Sugar—Requirement of—Parle Products ...	98	462
Supply Department—Taking Delivery of Stores ...	69	372
Surat—Foodgrains Supplies	97	460

	Report Page	Appendix Page
Surcharge on Fire Insurance	49	264
Sydenham College of Commerce—Admission in ...	107	495
T		
Tariff Rates—Booking of Cheese	27	171
Tax Reserve Certificates	46	268
Tea—Delay in Transhipment of—by Rail ...	17	143
Tea—Booking of—from Anand	17	144
Tea—Export of—from Bombay—by Rail, Road or Sea	16	142
Tea Packages—Transport of—by Rail ...	16	141
Telephone Call—Trunk	27	174
Tobacco—Restriction on Booking of	22	157
Trade Marks Act—Classification of Textile goods	58	288
Trade-Marks Act and Rules—Amendments regarding register etc.	57	287
Trams & Buses—Congestion in and Staggering of Hours	29	166
Transhipment of Tea—by Rail	17	143
Trunk Telephone Accounts	27	188
Trunk Telephone Call difficulties	27	174
U		
U. K. and U. S. A.—Indian Delegates	102	475
U. S. A.—Indians in, and naturalization rights ...	103	477
V		
Vengurla and Bombay—Steamer Service between...	8	168
Viramgaon and Beyond—Booking of Traffic ...	9	126
W		
Wadi Bunder to Rayapuram—Closing of Goods Booking	26	168
War Risk (Factories) Insurance—Extension beyond 31st March 1944	51	267
War Risks (Goods) Insurance	51	273
War Risks Insurance Scheme—Difficulties under	52	274

	Report Page	Appendix Page
Weights—Stamping and Marking—for Inter-departmental purposes	59	291
Wheat—Supply of—to Parle Products ...	99	465
Wheat—Export of—from India	85	410
Wool—Shipment from Bombay to United Kingdom	11	185
Z		
Zanzibar—Import of cloves from	83	406

Digitized with financial assistance from

Government of Maharashtra

on 01 February, 2020

PRINTED BY V. V. BAMBARDEKAR AT THE
INDIA PRINTING WORKS, FORT, BOMBAY